Canada Revenue Agency Annual Report to Parliament

2008-2009

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Canada Revenue Agency
Agence du revenu du Canada

Canada

Our Service to Canadians

CRA Mission

To administer tax, benefits, and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians.

CRA Vision

The CRA is the model for trusted tax and benefit administration, providing unparalleled service and value to its clients, and offering its employees outstanding career opportunities.

CRA Promise

Contributing to the well-being of Canadians and the efficiency of government by delivering world-class tax and benefit administration that is responsive, effective, and trusted.

CRA Values

- **Integrity** is the foundation of our administration. It meanstreating people fairly and applying the law fairly.
- **Professionalism** is the key to success in achieving our mission. It means being committed to the highest standards of achievement.
- **Respect** is the basis for our dealings with employees, colleagues, taxpayers, and clients. It means being sensitive and responsive to the rights of individuals.
- **Co-operation** is the foundation for meeting the challenges of the future. It means building partnerships and working together toward common goals.

About the CRA

Who we are

The Canada Revenue Agency (CRA) administers income tax, GST/HST, and other taxes, and is the principal revenue collector in the country. We also distribute benefit payments to millions of Canadians.

We strive to ensure that Canadians:

- pay their required share of taxes;
- receive their rightful share of entitlements; and
- are provided with an impartial and responsive review of contested decisions.

Our foundation of trust

Building on our foundation of trust is critical to achieving our mandate. Trust begins with the CRA values that reflect our principles and beliefs and guide our behaviour and practices.

Trust is sustained by our focus on maintaining a fair, open, and transparent tax and benefits administration that serves Canadians with a high degree of accuracy, consistency, and impartiality.

Our contribution to the social and economic well-being of Canada

A well-functioning tax and benefit system is essential to a healthy economy, a sustainable infrastructure, and a strong democracy.

Some of the tax revenue we collect is redistributed to taxpayers in the form of benefit payments or tax credits. Other tax revenue is provided to our federal, provincial, territorial, and First Nations government clients to finance their programs and services for Canadians.

2008-2009 Highlights

Notable results

- Our estimate of filing (filing on time) and remittance (paying on time) compliance rates by individuals exceeded our 90% targets.
- Rates of electronic filing and payments maintained their upward trend.
- We now administer 93 benefit programs and services—including the Ontario Child Benefit—for the federal, provincial and territorial governments.

Areas for improvement

- We face a challenge in increasing filing compliance among corporations.
- Our estimate for employers who forwarded at-source deductions on time on behalf of their employees indicates a continued downward trend.
- Overall results against our service standards exhibit a slight downward trend.

The CRA identifies areas where improvements are required and addresses them through various strategies and initiatives. To improve our results, we must balance the requirement to maintain the integrity of current program delivery with the strategies and initiatives aimed at improving program delivery.

Message from the Minister

The Canada Revenue Agency (CRA) makes a difference in the lives of Canadians every day. We do this by providing a strong, equitable, and responsive tax system that has become the cornerstone of our country's prosperity and the foundation of our social structure.

This year, the CRA celebrates 10 years as a government agency, a period marked by innovation and continuous improvement in services to Canadians and businesses.

I am proud of the tremendous collaboration demonstrated by the CRA and Finance Canada, who together worked with financial institutions across the country on the recent launch of the Tax-Free Savings Account (TFSA), the most important tax innovation in a generation.

We are providing excellence in program delivery by working to ensure that Canadians pay their fair share of taxes on behalf of federal, provincial, and territorial governments. In particular, our compliance work includes actions to counter aggressive tax planning, that is, arrangements that cross the boundary of acceptable tax planning.

The CRA is working to encourage Canadian business and the Canadian economy. We are reducing the paperwork burden that impacts business profitability and productivity. This is an important effort, especially in these difficult economic times.

As the administrator of the Scientific Research and Experimental Development (SR&ED) investment tax credit, which is considered one of the best incentives for research and development in the world, the CRA is contributing to Canada's international business competitiveness. In addition to providing more than $4 billion in tax credits to over 18,000 claimants, we are strengthening our administrative resources to increase SR&ED accessibility to more Canadian businesses.

The steps we are taking to assist individual Canadians and businesses will help maintain the high level of confidence that Canadians have in the CRA. As we move into our second decade as an agency, we will continue to improve our services and respond to the diverse needs of taxpayers and benefit recipients.

It is my privilege and honour to table the *Canada Revenue Agency Annual Report to Parliament 2008-2009.*

The Honourable Jean-Pierre Blackburn, P.C., M.P.
Minister of National Revenue and
Minister of State (Agriculture and Agri-Food)

"Together, we are ensuring that Canadians enjoy a flexible and innovative tax regime that is accessible, equitable to taxpayers, and keeps our business solidly competitive in the global marketplace."

Jean-Pierre Blackburn

Foreword by the Chair and past Chair

As part of the CRA's unique governance structure, the Board of Management continues to play an important oversight role in the development of the Agency's long-term strategy.

In 2008-2009, the Board placed much focus on the continued evolution of the Board of Management Oversight Framework (BoMOF), which now includes management measures and results to annually assess the effectiveness of the CRA's management processes. This tool is a key component of the CRA's governance regime and one that complements the Treasury Board Secretariat's Management Accountability Framework. The Board is proud to report that the BoMOF performance assessment of the CRA for 2008-2009 revealed very positive results. A few areas for improvement were identified and will be monitored in the coming year.

The Board bid a fond farewell to Ms. Connie Roveto, whose term as Chair of the Board expired in March 2009. During her tenure as Chair, Ms. Roveto fostered innovation in the Board's approach to delivering its strategic guidance and fiduciary responsibilities, through her knowledge of, and emphasis on, best practices in governance. Two other significant departures were Professor Howard Leeson, who had very ably served since 2003 and Stephen Rudin, who was one of the original members of the Board; their expertise will be missed. Meanwhile, we welcomed two new members: Fauzia Lalani, a federal nominee; and Norman Halldorson, who was nominated by the Province of Saskatchewan.

In August 2009, the Honourable Jean-Pierre Blackburn, Minister of National Revenue, announced the appointment of Ms. Susan J. McArthur as the new Chair of the CRA Board of Management.

In my role as Director during the period covered by this Report and as past Chair, on behalf of the CRA Board of Management, I am pleased to recommend the 2008-2009 Annual Report to the Minister of National Revenue for tabling in Parliament.

Sylvie Tessier, P.Eng, MBA, ICD.D
Director and past Chair,
Board of Management

As newly appointed Chair, I look forward to working with the Board and the CRA's management team. I am confident that the Board's continued contribution will help the CRA pursue its vision of becoming the model for trusted tax and benefit administration, providing unparalleled service and value to its clients, and offering its employees outstanding career opportunities.

Susan J. McArthur
Chair, Board of Management

"The Board is proud to report that the BoMOF performance Assessment of the Agency for 2008-2009 revealed very positive results."

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"I am confident that the Board's continued contribution will help the CRA pursue its vision of becoming the model for trusted tax and benefit administration."

Susan J. McArthur
Chair, Board of Management
(Appointed August 4, 2009)

A message from the Commissioner and Chief Executive Officer

As the Commissioner and Chief Executive Officer of the Canada Revenue Agency (CRA), I take pride in being a part of such an outstanding public service organization as it celebrates its tenth anniversary. Looking back, I am inspired by how far we have come and how much we have accomplished during the past decade. We embarked on a program of change to inject fresh ideas into the way we operate and provide service to Canadians. Even though we have been recognized for our innovation and our commitment to service excellence, we know that we cannot simply rely on our past achievements—we can always do better.

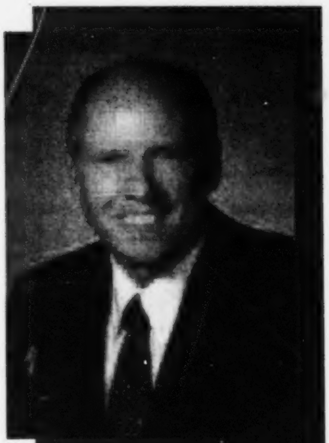
Achieving Our Vision

To achieve our vision, we have pursued two overarching objectives—excellence in program delivery and excellence in the workplace. In terms of excellence in program delivery, we met or exceeded many of our targets. For example, we made it easier for callers to reach us through our telephone service; we worked in close partnership with our provincial counterparts in Alberta, Ontario, and Quebec to recover more than half a billion dollars in taxes from unacceptable aggressive tax planning arrangements that crossed provincial boundaries; we expanded electronic options for business users to include GST/HST NETFILE; and we again achieved very strong results related to the delivery of benefit programs.

Our vision is to be the model for trusted tax and benefit administration, providing unparalleled service and value to our clients and offering our employees outstanding career opportunities.

In terms of the second overarching objective—excellence in the workplace—we have developed and acted upon the first iteration of our Agency Workforce Plan, which fully integrated human resources and business planning. Several initiatives have been acted upon to address challenges identified in the plan. On March 31, 2009, the second iteration of our Agency Workforce Plan (2009-2010 to 2011-2012) was published, aligned with our Corporate Business Plan, which covered the same period.

Overall, our 2008-2009 results related to the administration of tax and benefit programs remain strong. Most taxpayers met the deadline for filing their returns and for paying amounts owing, and most taxable corporations paid amounts due on time.



"The Canada Revenue Agency is one of the largest service organizations in the country. We do business with more Canadians than any other department or agency of government."

William V. Baker

We need to ensure, however, that more taxable corporations file their returns on time, and that more employers remit source deductions on behalf of employees on time. Taking all these results into consideration, I remain confident that we can overcome the challenges in key high-risk areas over the long term with a view to achieving our vision.

Progress on Priorities

We have in place an ambitious change agenda to respond to the many challenges we face. During 2008-2009, we made important progress in our commitment to excellence, including the following.

Strengthening service – In December 2008, we launched our comprehensive Service Strategy. This strategy is the result of extensive collaboration with internal stakeholders across the country, with the common objective of working in an integrated and horizontal fashion to develop and deliver our products and services.

"No longer are we just the federal government's tax collector—we have become a broad-based tax and benefit administration providing services and support to a wide range of public sector clients."

William V. Baker

Enhancing our efforts to address non-compliance – We conducted our second compliance review this past year. Similar to our first review, this compliance review process resulted in identifying five key high-risk priority areas: aggressive tax planning, the underground economy, payment compliance, wilful non-compliance, and contraband tobacco. As well, we undertook further work to implement our Benefits Compliance Strategy Action Plan by researching and analyzing enforcement and deterrence issues in an effort to understand and evaluate the benefits and credits at risk.

Reinforcing trust – Our service complaints framework has recently made redress more comprehensive. This framework has, at its foundation, the Taxpayer Bill of Rights which has been expanded to include eight service rights. Furthermore, we implemented our Service Complaints Program, to provide taxpayers with a formal resolution process for complaints about mistakes, undue delays, and other issues related to service.

Maintaining effective relationships – The strength of our collaborative efforts was demonstrated most recently in the successful conclusion of the Memorandum of Agreement for the harmonization of the Ontario sales tax, the second harmonization initiative that we have undertaken with Ontario. The implementation of corporate tax administration proceeded as planned—on time and within budget.

Meeting our mandate

The overall goal of the CRA is to administer tax, benefits, and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians.

Our employees are known for carrying out their duties with integrity and professionalism. We are an organization that is highly visible—one that touches the lives of all Canadians—and we are very proud of the excellent reputation we've earned. The fact that we have once again quickly and accurately delivered on government priorities speaks to the professionalism and dedication of our workforce.

> **"The CRA is known as a modern and vibrant organization, with a tradition of innovation and technological change."**
>
> William V. Baker

Going forward, we will strive to further our working relationships with federal departments, provinces, and territories to forge links between the social responsibility inherent in paying taxes and the civic rights and benefits enjoyed in Canada. We will sustain our strong international presence in organizations such as the Organisation for Economic Co-operation and Development (OECD) and the Inter-American Centre of Tax Administration to advance protocols and practices to guide the work of tax administrations around the world. We will seek opportunities to reduce the administrative burden and overall cost of government and we will build on our position as an innovative service leader and a separate employer to create a workplace culture of intelligent risk management and innovation.

William V. Baker
Commissioner and Chief Executive Officer
Canada Revenue Agency

Table of Contents

Canada Revenue Agency Annual Report to Parliament 2008-2009

Our 2008-2009 Results 15

- Achieving Our Tax Services Strategic Outcome 19
- Achieving Our Benefit Programs Strategic Outcome 31
- Our Performance Results 37
  - Taxpayer and Business Assistance 39
  - Assessment of Returns and Payment Processing 45
  - Accounts Receivable and Returns Compliance 53
  - Reporting Compliance 59
  - Appeals 67
  - Benefit Programs 73

The CRA Board of Management 79

Management Results 85

Service Standards at the CRA – Overall Results 93

Schedules 101

- Schedule A – The CRA Governance Structure 101
- Schedule B – Other Items of Interest 105
- Schedule C – Web Links for Additional Information 113
- Schedule D – Glossary 114
- Schedule E – Acronyms and Abbreviations 116

Financial Statements 117

Our 2008-2009 Results

Introduction

The Canada Revenue Agency (CRA) exercises its mandate within a framework of complex laws enacted by Parliament, as well as by provincial and territorial legislatures. We collected more than $366 billion in 2008-2009 on behalf of Canada, the provinces (except Quebec), territories, and First Nations. We also delivered income-based benefits, credits, and other services that contributed directly to the economic and social well-being of Canadians. In short, no other public organization touches the lives of more Canadians on a daily basis than we do.

During 2008-2009, we

- collected more than $366 billion—averaging over $1.5 billion every working day; and
- made benefit and credit payments worth more than $16 billion distributed to over 11 million entitled Canadian recipients.

The contribution we seek to make to Canadian society is summarized by the following strategic outcomes.

- Taxpayers meet their obligations and Canada's revenue base is protected.
- Eligible families and individuals receive timely and correct benefit payments.

In addition to our administration of tax and benefit programs, we administered the harmonized sales tax for three provinces and verified taxpayer income levels in support of a wide variety of federal, provincial, and territorial programs, ranging from student loans to health care initiatives. We also provided other services, such as our Refund Set-Off Program, through which we aided other federal departments and agencies, as well as provincial and territorial governments, in the collection of debts that might otherwise become uncollectible.

CRA spending and human resources

	2008-2009		
	(in thousands of dollars)		
	Total Authorities	**Actual Spending**	**Variance**
Tax Services Strategic Outcome	3,961,603	3,796,000	165,603
Taxpayers meet their obligations and Canada's revenue base is protected			
Benefit Programs Strategic Outcome	409,059	402,656	6,403
Eligible families and individuals receive timely and correct benefit payments			
Total Spending	**4,370,662**	**4,198,656**	**172,006**

	2008-2009		
	Planned	**Actual[1]**	**Variance**
Full-time equivalents (FTEs)	**40,774**	**39,757**	**1,017**

Resources:

- Total Authorities of $4.4 billion
- Workforce of up to 35,000 permanent employees across Canada, and a term population that fluctuates to approximately 10,000 during peak tax-filing season

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[1] Corresponding full-time equivalent (FTE) totals can be found at the beginning of each results discussion that follows in this report.

Rating our results

We use qualitative and quantitative indicators to determine the results achieved in terms of our strategic outcomes and expected results. Survey results, statistical sampling, and operational data inform our assessments. Although we have made progress in developing robust indicators for each of our strategic outcome measures and expected results, we need to make some of them more concrete and measurable.

We also rate our strategic results and those of our program activities in terms of whether the targets identified in our *Corporate Business Plan 2008-2009 to 2010-2011* were met, mostly met, or not met.

Our targets identify the percentage or degree we expect to attain for a performance level. Where targets are numeric in nature, they are listed beside each indicator. Performance targets are established by our management teams through analysis of affordability constraints, historical performance, the complexity of the work involved, and the expectations of Canadians.

Results Ratings

Met: Our results met or exceeded our expectations.

Mostly met: While the results met most of our expectations, some gaps exist.

Not met: Significant gaps exist in results and most or key expectations were not met.

Strategic results chain

The *Canada Revenue Agency Annual Report to Parliament 2008-2009* is a comprehensive reporting of our results established at various levels in a results chain.

At the higher levels of the chain, it becomes challenging for us to directly demonstrate our influence. The lower part of the chain shows the expected results that we work toward in order to influence the achievement of our strategic outcomes. Building on our achievements against our expected results, we use our strategic outcome measures as indicators of Canadians' behaviour to determine whether or not we met our strategic outcomes. We assess our overall performance in the section entitled "Performance Results" and rate these results against the key indicators and targets set out in our *Corporate Business Plan 2008-2009 to 2010-2011*.

Strategic Results Chain

Our Mission

To administer tax, benefits, and related programs and to ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being of Canadians

Strategic Outcomes

Tax Services
Taxpayers meet their obligations and Canada's revenue base is protected.

Benefit Programs
Eligible families and individuals receive timely and correct benefit payments.

Strategic Outcome Measures

Registration Compliance

Reporting Compliance

Filing Compliance

Remittance Compliance

Payment Timeliness

Payment Correctness

Reliance on CRA as a key service provider

Our Approach

Service	Enforcement	Redress	**Service, Validation, Redress**
Expected Result Taxpayers, businesses, and registrants have access to timely and accurate information.	**Expected Result** Non-compliance is detected and addressed.	**Expected Result** Taxpayers receive an impartial and timely review of contested decisions.	**Expected Result** Benefit recipients have access to timely and accurate information.
Expected Result Assessment and payment processing are timely and accurate.	**Expected Result** Tax and non-tax debt are resolved on a timely basis and are within targeted levels.	**Expected Result** Service complaints and taxpayer relief provisions are administered consistently.	**Expected Result** Eligibility determination and payment processing are timely and accurate.

Strategic Results Chain

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Strategic Outcomes

Tax Services	Benefit Programs
Taxpayers meet their obligations and Canada's revenue base is protected.	Eligible families and individuals receive timely and correct benefit payments.

Strategic Outcome Measures

Registration Compliance	Reporting Compliance	**Payment Timeliness** **Payment Correctness** **Reliance on CRA as a key service provider**
Filing Compliance	Remittance Compliance	

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Achieving Our Tax Services Strategic Outcome

Overview

The tax services activities carried out by the Canada Revenue Agency directly touch the lives of over 30 million individuals, businesses, trusts, and organizations. We administer, assess, and collect taxes on behalf of the Government of Canada, all provincial (except Quebec) and territorial governments, and certain First Nations. We strive to provide quality service and enhance public confidence in the integrity of Canada's tax system.

Our Goal

As in previous years, it was our aim in 2008-2009 to ensure the integrity and fairness of Canada's tax system.

Our Outcome

We have made progress in improving our capacity to protect Canada's revenue base through the implementation of major components of our innovation agenda. Our measures of compliance behaviour indicate that the majority of taxpayers, businesses, and registrants are meeting their registration, filing, and remittance obligations. Timely filing by taxable corporations, however, continues a downward trend. In addition, the level of remittance compliance for employers, who collect tax from employees through source deductions, remains below our 90% target, as has been the case for the past number of years.

Our Challenge

Our ongoing challenge is to develop a sound understanding of taxpayer behaviour and the reasons for non-compliance. We strive to improve our service and enforcement tools to encourage voluntary compliance with Canada's tax laws.

Strategic Outcome

Taxpayers meet their obligations and Canada's revenue base is protected.

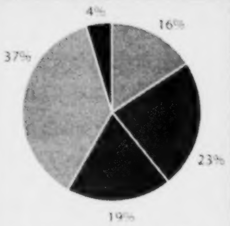
Our Assessment:

Met

Spending Profile

(thousands of dollars)

Total Authorities 2008-2009
$3,961,603
Actual Spending 2008-2009
$3,796,000
Variance
$165,603



Total Spending: $3.796 billion

- ■ Taxpayer and Business Assistance $605M
- ■ Assessment of Returns and Payment Processing $885M
- ■ Accounts Receivable and Returns Compliance $724M
- ■ Reporting Compliance $1.413B
- ■ Appeals $169M

* Percentages may not add up to 100% due to rounding

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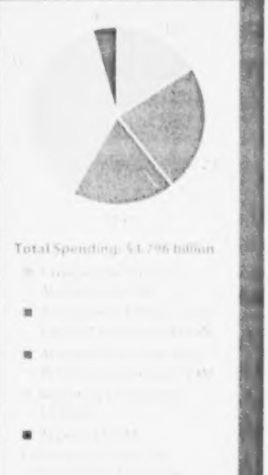


Taxpayers meet their obligations and Canada's revenue base is protected

Under Canada's self-assessment tax system, taxpayers are expected to determine their own liability under the law and pay the correct amount of tax. Our primary goal is compliance without our intervention—in other words, to ensure that taxpayers meet their obligations voluntarily so as to protect Canada's revenue base. We believe that the majority of taxpayers will voluntarily comply with the law if they have confidence in the integrity of the tax administration system and have the information and services they need to meet their obligations.

The contribution of others:

The work that we do is made easier through:

- a strong legislative foundation;
- employers, who collect and remit source deductions;
- the ministère du Revenu du Québec, which administers the GST within Quebec;
- financial institutions;
- law enforcement agencies; and
- international organizations and foreign tax administrations.

Our focus

Voluntary self-assessment is the most cost-effective way to administer taxes. Higher rates of voluntary compliance reduce the costs of administration. This allows us to direct our resources to higher-risk areas, such as the underground economy, aggressive tax planning, and wilful non-compliance.

> We work hard to enhance our understanding of taxpayer behaviour so that we can put in place the right mix of service, education, and enforcement actions to encourage taxpayers to comply with their obligations.

Our strategic themes of operational and workplace excellence were introduced in our *Corporate Business Plan 2008-2009 to 2010-2011*. We planned to achieve operational excellence and ensure the integrity and fairness of our administration of Canada's tax legislation by:

1. strengthening our services;
2. enhancing our efforts to address non-compliance;
3. reinforcing trust; and
4. maintaining effective relationships.

By achieving program and workplace excellence, we believe we will be best positioned to protect Canada's revenue base and ensure the integrity and fairness of Canada's tax system.

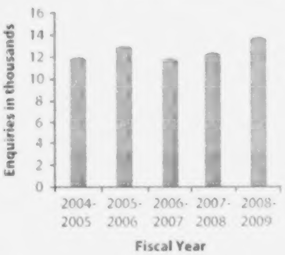
Priority: Enhance our electronic service offerings

Achievement: We expanded options within My Business Account; launched Quick Access, developed electronic capabilities to enhance the search and display functionality of charities information returns; and expanded our Smartlinks service.

1. Strengthening service

Our organization recognizes the value of service in fostering compliance within a tax system that is based on self-assessment. In December 2008, we launched our comprehensive Service Strategy. The goal of this strategy is to achieve continuous improvement in service delivery by providing service that is accessible to all taxpayers while promoting the use of our electronic services. Based on our existing performance management regime, we identified a framework for measuring the success of this strategy. We will assess and report on progress against our Service Strategy objectives on an annual basis beginning in 2009-2010.

Figure 1 Agent-Assisted Enquiries



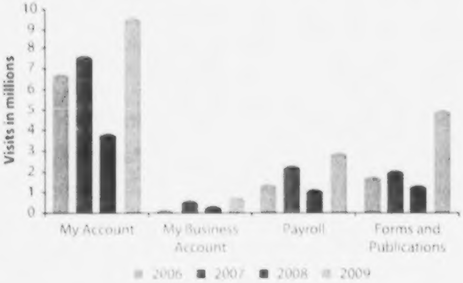
Data quality: Good

Taxpayers continue to rely on agent-assisted service. As a result, the usage of the telephone service channel has seen an increase over the last few years, including the growth of over a million calls between 2008-2009 and the prior year. This increase was partly due to numerous enquiries concerning new legislation for the recently announced Home Renovation Tax Credit (see Figure 1).

Although an accessible and effective telephone channel is a cornerstone of our approach to service, we are committed to providing Canadians with a full range of electronic services to help them meet their tax obligations as easily as possible. Through continual improvements to our electronic services, we believe we are succeeding in enabling taxpayers to meet their tax obligations on their own.

To strengthen service and return accessibility targets to 90% for general, business, and benefits callers, we internally reallocated approximately $27 million in 2008-2009.

Figure 2 Visits to CRA Web-Based Tax Products



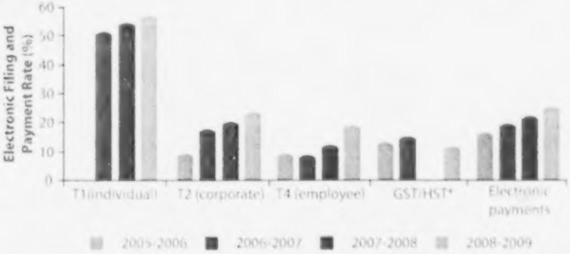
Data quality: Good

Visits to our Web-based tax-related products over the past three calendar years have been trending upward (see Figure 2). For more information on the steps we have taken to enhance our service tools and information as well as our electronic service offerings, please refer to the sections entitled Taxpayer and Business Assistance on page 39 and Assessment of Returns and Payment Processing on page 45.

Represent a client is our electronic service that allows taxpayer representatives to authenticate and register themselves online. Once registered, they can be authorized to electronically access either individuals or businesses tax information.

To promote our electronic service offerings, we held seminars during 2008-2009 on E-services for businesses that included information on services such as GST/HST NETFILE, My Business Account, electronic payments, and Represent a client.

Figure 3 Rates of Electronic Filing and Payments



*GST/HST data not available for 2007-2008

Data quality: Good

The take-up rate of electronic filing continues to rise, especially with businesses. In our view, the upward trend in electronic filing and electronic payments (see Figure 3) indicates that we are achieving success with our outreach activities designed to promote self-service.

This past year we targeted our outreach activities on areas of high-risk. We raised awareness about our services and discussed tax-related issues and concerns by targeting categories of taxpayers, such as new registrants and tobacco growers, and economic sectors, such as the construction and taxi industries. We provided a broad range of outreach programs, including some targeted, customized programs that we added to address changing demographic and economic factors. We also attended various functions to speak about our audit work and related initiatives. We consider such actions to be critical to promote higher levels of compliance within these populations. In turn, our efforts helped to protect Canada's revenue base. Additional results achieved during 2008-2009 related to our objective to strengthen service are discussed in the section entitled Our Performance Results on page 37.

Priority: Enhance outreach to increase voluntary compliance

Achievement: During 2008-2009, we:

- operated booths at local home and trade shows;
- held information sessions with tobacco growers; and
- conducted visits to softwood lumber exporters.

2. Enhancing our efforts to address non-compliance

Non-compliance is the failure, for whatever reason, to register as required under the law; file returns on time; report complete and accurate information to determine tax liability; and pay all amounts when due.

Non-compliance takes many forms, from errors and omissions to deliberate tax evasion. We are constantly assessing non-compliance risks and taking steps to focus our resources on areas of highest risk.

By identifying priority compliance risks, we are in a better position to articulate a strategy to mitigate these risks. For this reason, periodic compliance reviews are important for identifying and prioritizing the compliance challenges we face. During 2008-2009, we sustained our focus on reducing non-compliance in the high-risk areas of aggressive tax planning, GST/HST compliance, the underground economy, and non-filers/non-registrants and revenue collections by seeking to address the root causes of this behaviour. For additional information on the results we achieved in 2008-2009 in this regard, please refer to the sections entitled Accounts Receivable and Returns Compliance on page 53 as well as Reporting Compliance on page 59.

Our second Compliance Review was conducted in 2008 and identified our priority compliance themes as:

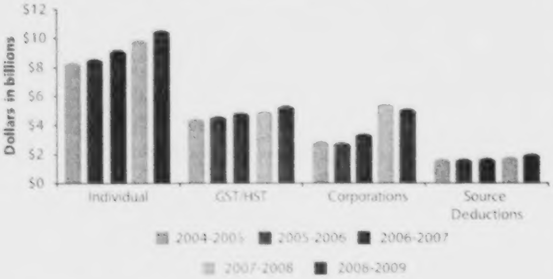
- the underground economy;
- aggressive tax planning;
- wilful non-compliance;
- payment compliance; and
- contraband tobacco.

We believe that effective communication can be used to affect Canadians' perceptions and views of our tax administration, its fairness, and its effectiveness. With a strengthened and integrated compliance communications strategy, we aim to influence both compliance perception and behaviour. Effective messaging contributes to an open and transparent tax administration by helping Canadians understand what we do about non-compliance and why; where we see the risks to Canada's tax system; and what we are doing to address those risks and protect Canada's revenue base.

In 2008-2009, we used more effective targeting of compliance messages to provide taxpayers with the information they need to understand the risks and consequences of non-compliance. We also increased and improved media coverage by targeting media groups with specific information of interest to them. Additionally, we enhanced public knowledge and awareness of our compliance and enforcement activities to make the public confident that we take action against those who do not comply with Canada's tax laws. For additional information on the results we achieved in 2008-2009 in this regard, please refer to the section entitled Reporting Compliance on page 59.

Payment compliance will now be considered in all strategies developed to address any area of non-compliance.

Figure 4 Composition of Total Tax Debt



Data quality: Good

The integrity of Canada's tax regime is compromised, in part, by taxpayers who do not honour their obligations to pay the amounts they owe. During this past year, we have seen consistent increases in receivables in almost all revenue lines (see Figure 4). With the development of our Risk Management Framework in 2008, we have gained a better understanding of the makeup of debt and the levels of risk associated with different tax categories. The framework helped us put in place more appropriate case selection and resolution strategies to address specific areas of challenge. For more information on the results we achieved related to the tax debt in 2008-2009, please refer to the section entitled Accounts Receivable and Returns Compliance on page 53.

Unlike a private sector business that has processes in place to select and pre-screen its clients, the CRA deals with all taxpayers, whether they are good or bad risks, in remitting amounts owed. We have strategies in place to manage tax debt, and we use risk assessment and modern techniques to maximize our return on investment, while treating all taxpayers fairly and equally. Our strategy is designed to identify the millions of dollars of new tax debt arising every year, assess the risk represented by these accounts in terms of danger of loss, and identify the need for the appropriate actions to protect the Crown's interests. These actions are a series of escalating strategies designed to manage low-risk, high-volume accounts and lower-volume, high-risk accounts.

Priority: Enhance our relationship with others

Achievements: During 2008-2009, a multi-lateral Coordinating Committee on Income Allocation was created to review the current approach for corporate income allocation among provinces, from policy, legislative, and administrative perspectives.

3. Reinforcing trust

We handle millions of transactions that have an impact on people and their opinions concerning us. Our success rests in large part on the professionalism and integrity of our employees. Their behaviour found to be in contravention of the CRA Code of Conduct is not tolerated and immediate action is taken to address it.

To build on public trust in our organization, during 2008-2009 we implemented our Greeting Policy, which enables callers to obtain the identity of the agent serving them. In addition, recognizing the Taxpayers' Ombudsman's important role in enhancing public trust, we facilitated access to our organization by establishing the CRA-Ombudsman Liaison Office. We believe these steps will help maintain the high level of confidence that Canadians have in the CRA.

4. Maintaining effective relationships

In our view, building and maintaining strong relationships with other federal government agencies and departments; as well as provincial, territorial, and First Nations governments increases the effectiveness and efficiency of our administration of Canada's tax system. In particular, a healthy relationship with Finance Canada is critical to the success of our operations. Co-led by the CRA and Finance Canada, in 2008-2009 the new federal-provincial/territorial Coordinating Committee on Income Allocation (CCIA) began to review the current administrative policy for corporate income allocation among provinces, and will subsequently make its recommendations to government. In 2008-2009, we worked collaboratively with that department to ensure that our tax treaty priorities and jurisdictions of interest to the CRA from the perspective of enabling or enhancing information exchange in regard to tax matters were considered.

Co-operation among tax administrations, including the sharing of tax information, is a key tool in protecting the integrity of Canada's tax system. To supplement exchanges permitted by our tax treaties, we worked with Finance Canada to negotiate Tax Information Exchange Agreements with jurisdictions with which we do not have tax treaties. These new agreements will allow the CRA to request offshore banking information relevant to its administration and ensure that strict bank secrecy laws cannot be used to prevent an effective exchange of information.

The United States (U.S.) is our most important trading partner and the Canada-U.S. Tax Convention is by far our most complex; changes made to the Convention were effective in January 2009. We have worked with the U.S. Internal Revenue Service and the private sector during 2008-2009 to ensure the smooth implementation of these changes. In addition, this past year, through our partnership with the Department of Foreign Affairs and International Trade, we ensured full compliance by exporters with the *Softwood Lumber Products Export Charge Act, 2006* through a rigorous verification program, thereby maintaining industry access for Canadian exports to the U.S.

Priority: Enhance communication and information sharing

Achievements:

During 2008-2009, we:

- provided tax policy and audit training to China's senior tax officials;
- participated on the OECD sub-group on Tax Crime and Money Laundering;
- delivered a report at the OECD on the abuse of charities in 17 countries; and
- led a discussion concerning our Voluntary Disclosures Program.

There is a need for strong leadership in international tax organizations and a need to build relationships and capabilities to protect Canada's interests and values. For many years, we have been working with our international partners to address the challenges associated with an increasingly complex tax environment. During 2008-2009, in addition to collaborating on a range of tax matters, we worked with Human Resources and Skills Development Canada (HRSDC) to negotiate bilateral social security agreements with Macedonia, Poland, Brazil, Argentina, Australia, and Romania to ensure that companies, employees, and self-employed individuals contribute to the appropriate national social security system.

Priority: Work with our international partners

Achievement: A Memorandum of Understanding (MOU) was signed between the CRA and the Caribbean Regional Technical Assistance Centre (CARTAC) to provide technical assistance on revenue administration reform in the 21 Caribbean countries covered by CARTAC.

Our work with international partners enables us to keep abreast of different types of financial products, corporate structures, and international tax laws that evolve to meet changing business practices. Our participation in conferences, working groups, and other forums serves to ensure that we remain in a position to identify emerging compliance risks and, ultimately, to protect Canada's revenue base.

Such steps are critical to our efforts to ensure that Canadians meet their tax obligations and that Canada's revenue base is protected.

Our strategic outcome measures

We use our strategic outcome measures to gauge the compliance behaviour of Canadian taxpayers. Using data from internal and external sources as a baseline of compliance information, we group these indicators into the following four broad categories of taxpayer obligations to help us measure and assess our results against our Tax Services strategic outcome.

These are Registration Compliance, Filing Compliance, Reporting Compliance, and Remittance Compliance. These are reviewed in detail in the following sections.

Registration Compliance

Registration Compliance estimates the proportion of Canadian businesses that have registered as required by law to collect the GST/HST.

Our Measure	Year	Performance Rating	Data Quality
Registration compliance – Rates of registration for the GST /HST	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicator[1]	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Canadian businesses that were registered for the GST/HST	90%	95.5%	96.8%	97.7%	97.0%	93.8%	✓

[1] Due to taxpayer filing requirements, the registration rates for the year are based on information from the prior fiscal year. For example, rates for 2008-2009 are based on information from fiscal year 2007-2008.

By comparing our data with information from Statistics Canada, we estimate that 93.8% of businesses were registered as required by law to collect GST/HST in 2008-2009. This result exceeded our 90% target. In our view, this represents a high degree of registration compliance, considering that many businesses are not required to register for GST/HST, because, for example, their gross revenues are below the registration threshold.

Our performance assessment is also supported by the results from our non-registrant area (discussed on page 57), which seeks to ensure that all businesses that are required to register for the GST/HST meet their obligations. Each year, this program identifies several thousand small businesses that are required to register, mostly those that are new or that recently exceeded the registration threshold.

We devote more of our compliance and enforcement resources to areas in which our analysis indicates that the risk and potential revenue consequences of non-compliance are highest. The activities we undertake to ensure compliance are guided by research into existing and emerging non-compliance trends and threats to the tax base. This research supports our risk assessment systems which examine the characteristics of taxpayers to detect areas of possible non-compliance.

Our estimates of registration compliance lead us to believe that there is a relatively low risk that medium-sized or large enterprises are carrying on business without being registered to collect the GST/HST.

Filing Compliance

Filing Compliance indicators estimate the proportion of the Canadian population who file their returns on time.

Our Measure	Year	Performance Rating	Data Quality
Filing compliance – Rates of filing on time	**2008-2009**	**Mostly Met**	**Good**
	2007-2008	Mostly Met	Good

Our Indicators [1]	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Income tax filing rate for individuals 18 years and older	90%	92.6%	92.8%	93.0%	92.5%	92.8%	✓
Corporations – Taxable incorporated businesses that filed their returns on time[2]	90%	86.0%	86.4%	86.4%	85.8%	84.4%	✕
Businesses that filed their GST/HST returns on time	90%	92.6%	91.8%	91.4%	n/a	90.5%	✓
Employers who filed their T4 returns on time	90%	94.5%	94.5%	96.0%	95.5%	96.4%	✓

[1] Historic filing estimates for individuals and taxable corporations have been restated as a result of improved data.

[2] The remaining percentage of taxable corporations used for this calculation filed their returns after the due date, either voluntarily or as a result of our non-filer work.

On balance, we consider these estimates to be a demonstration of a high degree of voluntary compliance, and filing rates as a low risk to the protection of Canada's tax base.

Individual taxpayers include all persons who file or are required to file a T1 Individual Income Tax and Benefit Return. By comparing our data with census data from Statistics Canada, we estimate that filing compliance for the Canadian population aged 18 and over during 2008-2009 was 92.8%, which exceeded our 90% target. This estimate, in our view, provides assurance that there is a high level of voluntary compliance among individuals when it comes to filing tax returns.

In the case of corporations, our compliance rate estimates apply only to those that are taxable, which are those corporations that filed a T2 Corporation Income Tax Return showing total tax payable greater than zero. During 2008-2009, the incidence of timely filing among taxable corporations fell slightly to 84.4%, below our 90% target.

The proportion of GST/HST returns that were filed on time during 2008-2009 is estimated to be 90.5%, which meets our target of 90%, but continues to reveal a downward trend. As with corporations, the remaining GST/HST returns filed were late.

Employers (which include individuals, corporations, and charities) are legally responsible for deducting, remitting, and reporting federal and provincial income tax, CPP contributions, EI premiums, and employer-provided benefits. During 2008-2009, a large majority of employers (96.4%) filed their T4 Information Returns on time, exceeding our 90% target, which means that less than four percent were filed after the deadline.

Overall, it is our assessment that we mostly met our expectations related to filing compliance this past year.

Reporting Compliance

Reporting Compliance indicators contribute to our assessment of the degree to which taxpayers report complete and accurate information.

Our Measure	Year	Performance Rating	Data Quality
Reporting compliance	**2008-2009**	**Mostly met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Non-compliance Rate Estimates						
Key tax credits and deductions not subject to third-party reporting – Individuals[1]	Downward trend	15.5%	14.7%	14.8%	16.5%	×
Random audits – Small and Medium-sized Corporate filers	N/A	N/A	N/A	N/A	13.8%	N/A

[1] It should be noted that this type of non-compliance is found in a relatively small segment of the population of individual taxpayers.

We conduct various studies and reviews to detect areas where non-compliance with reporting obligations may be emerging or increasing. For example, we conduct an annual random sample of individual income tax returns filed to estimate the non-compliance rate for individuals with respect to key deductions and credits that are not subject to third-party reporting.

Much of our assurance that we are achieving our strategic outcome is based on our robust system of checks and balances—which includes both preventive and detective activities. These activities incorporate a mix of compliance tools to protect Canada's revenue base from non-compliance.

Our sample for 2008-2009 estimated this non-compliance rate for individuals as 16.5%, primarily for 2007 tax returns. After stabilizing over the past two years, our most recent estimate shows upward movement and did not meet our expectations. We estimate the dollars at risk for the entire target population to be approximately $830 million, which is an increase over last year's $662 million.

Our remaining reporting compliance indicator focuses on small businesses. Although most Small and Medium-sized Enterprise (SME) audits are selected on the basis of risk, our Core Audit Program (CAP) selects a random sample of SMEs to estimate a reliable compliance rate, with different segments of the SME population selected each year. This provides us with accurate reporting compliance estimates that allow for monitoring compliance trends over time and for validating and refining the risk criteria used in our risk assessment system. In 2008-2009, a new Core Audit Program (CAP) non-compliance rate estimate was established for corporate SME filers based on audits conducted during the 2007-2008 program year. This segment of the SME population has been reviewed twice: once in 2002-2003, when the non-compliance rate estimate for SME corporations was 8.5% (+/- 3.1%), and again in 2007-2008, when the non-compliance rate estimate was 13.8% (+/- 2.8%). The difference of approximately five percentage points does not necessarily indicate an increase in the level of non-compliance. It could be attributable to any number of factors including improved audit performance, an increase in non-compliance, or a combination thereof. Furthermore, the variance factors noted in parenthesis above could in fact negate the apparent increase in the estimate.[1]

Our risk assessments indicate that non-compliance is more prevalent among self-employed individuals and small and medium-sized businesses than among individual wage earners. In the case of individual wage earners, deductions of tax are usually withheld at source by employers and both reported and remitted to us, significantly lowering the risk of non-compliance.

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[1] The CAP non-compliance rate is an estimate based on a sample of the target population. It is shown as a range of numbers, as it is based on a 95% confidence interval; this means that there is 95% probability that the non-compliance rate lies within the bounds of the plus/minus allowance.

We also analyze various macro-indicators to evaluate reporting compliance trends. As graphically depicted, our macro-indicators provide us with assurance that taxpayers, in general, are complying with their obligations and that levels of reporting non-compliance are relatively low.

Our reporting compliance indicators provide us with a mixed view of taxpayer behaviour. Although our studies of limited populations show material levels of non-compliance, our macro-indicators provide a sense of assurance that levels of reporting non-compliance are relatively low. For these reasons, it is our assessment that, during 2008-2009, we mostly met our reporting compliance expectations.

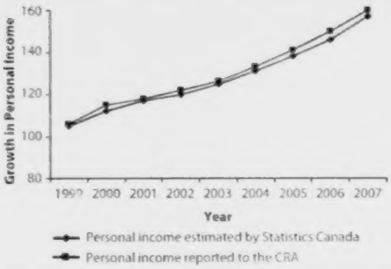
Our Macro Indicators **Rating**

Figure 5

Growth in personal income reported to the CRA tracks favourably relative to that estimated by Statistics Canada.

* Figures for the years 2004, 2005, and 2006 have been restated as a result of improved data.

Data quality: Good



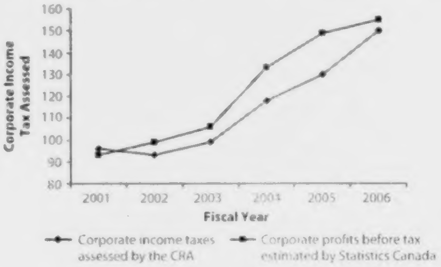
Rating: ✓

Figure 6

Growth in corporate income taxes that we have assessed tracks favourably with growth in corporate profits before tax estimated by Statistics Canada.

* Figures for the years 2001 and 2002 have been restated as a result of improved data.

Data quality: Good



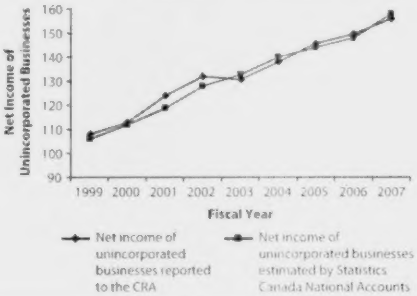
Rating: ✓

Figure 7

Growth in net income of unincorporated businesses reported to us tracks favourably with National Accounts Estimates of the growth in net income of unincorporated businesses.

* Figures for the years 2005 and 2006 have been restated as a result of improved data.

Data quality: Good

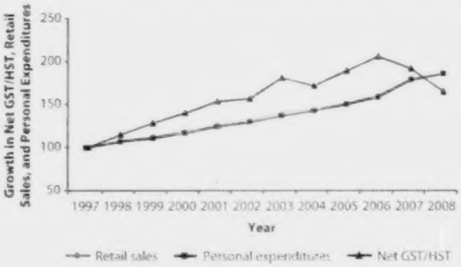


Rating: ✓

Figure 8

Due to a variety of factors, including recent reductions in the GST rate, trending information related to GST revenue is no longer clear and we can draw no conclusions from this data.

Data quality: Good



Rating: N/A

✓ Met	☑ Mostly Met	✗ Not Met

Remittance Compliance

Remittance Compliance indicators estimate the proportion of taxpayers who owed taxes and paid the full amount on time.

Our Measure	Year	Performance Rating	Data Quality
Remittance compliance – Rate of timely payments	**2008-2009**	**Mostly Met**	**Good**
	2007-2008	Mostly Met	Good

Our Indicators[1]	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Individuals who paid their reported taxes on time	90%	93.1%	92.4%	92.9%	91.5%	93.2%	✓
Percentage of taxable corporations that paid their reported taxes on time[2]	90%	93.1%	92.9%	90.9%	92.4%	92.2%	✓
Businesses that collected GST/HST[3]	N/A	2.7M collected $47B	2.8M collected $52B	3.0M collected $50B	3.0M collected $52B	3.3M collected $47B	N/A
Employers who forwarded at-source deductions on behalf of their employees on time	90%	89.2%	88.7%	87.7%	89.2%	87.3%	☑
Trend in ratio of outstanding tax debt to gross cash receipts	Downward trend	5.43%	5.62%	5.79%	6.23%	6.64%	✗

[1] Historic remittance compliance estimates for individuals and taxable corporations have been restated as a result of improved data.

[2] These remittance rates have been restated. A recent examination of the corporation data indicated that incomplete information (a total of the sum of components was not being generated) had been used in previous years.

[3] Businesses based in Quebec register with the ministère du Revenu du Québec, which administers GST on behalf of the CRA and remits the net amount due to the CRA.

✓ Met	☑ Mostly Met	✗ Not Met

Our remittance compliance estimates reflect the degree to which various taxpayer segments paid all taxes determined through self-assessment on or prior to the filing deadline. Where monies owing were not paid at the time of filing, we initiated a series of steps to obtain payment; these steps are explained beginning on page 53.

Similar to the previous year, during 2008-2009 we mostly met our overall remittance compliance expectations. We met our 90% target for both individuals and taxable corporations. Our estimate for employers who forwarded at-source deductions on behalf of their employees, however, indicates a continued downward trend, while our ratio of outstanding tax debt to gross cash receipts continues to rise.

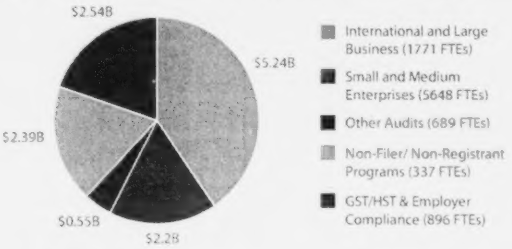
> Although we recognize that improvements continue to be needed in the area of remittance compliance, we believe that our debt management research will help to inform our future strategies implemented through our IRC project, to manage our tax debt inventory, and to promote remittance compliance.

Conclusion

Our estimates of taxpayers' filing, registration, and remittance compliance indicate that overall levels of voluntary compliance with Canada's tax laws continued to be high in 2008-2009. Our estimates of reporting compliance, however, indicate the incidence of non-compliance may be slowly increasing and there are indications that the dollars at risk for some taxpayer sectors may be increasing. Although performance results provide evidence that non-compliance is at relatively low levels, the results of our program activities demonstrate that such non-compliance is, in total, financially significant. In 2008-2009, our programs to address reporting non-compliance identified a total dollar value of over $12.9 billion (see Figure 9), exceeding our estimates, which we based on historical results combined with available resource levels.

Through the progress we have made during 2008-2009 in implementing major components of our innovation agenda, we believe we have made significant gains toward improving our capacity to protect Canada's revenue base.

Figure 9 Dollar Value of Identified Non-Compliance



Data quality: Good

We anticipate the results from the action plans we develop related to our Compliance Review II will have a positive impact on levels of reporting compliance over the long term.

In light of our overall measurement and given that a significant proportion of Canada's revenue base is subject to third-party reporting, it is our assessment that, for the majority of Canadians, the incidence and magnitude of non-compliance is relatively low, though financially significant. Consequently, it is our assessment that we met our Tax Services strategic outcome in 2008-2009.

Achieving Our Benefit Programs Strategic Outcome

Overview

In the current economic climate, income security is increasingly essential to the economic and social well-being of Canadians. As administrators of benefit and credit programs for federal, provincial, and territorial clients, we are keenly aware of our obligation to ensure timely and correct determination of eligibility and payments related to these programs, so that no recipient is overpaid or underpaid.

Our Goal

In 2008-2009, our goal was to make certain that benefits, credits, and other services are accessible, accurate, and reliable and to ensure that we can meet current and future program delivery demands.

Our Outcome

Our performance in 2008-2009 indicated that we sustained our strong record of issuing timely and accurate benefit payments, thereby meeting the strategic outcome we seek to achieve each year. In addition, the substantial increase in the number of programs and services that we administer demonstrates that we are the provider of choice for client governments.

Our Challenge

Our challenge is ensuring that all benefit recipients have and use the appropriate tools and information required to allow them to receive their proper entitlement.

Strategic Outcome

Eligible families and individuals receive timely and correct benefit payments.

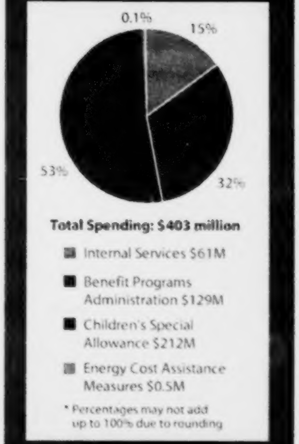
Our Assessment:

Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$409,059
Actual Spending 2008-2009	$402,656
Variance	$6,403



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Variance	$6,403

Eligible families and individuals receive timely and correct benefit payments

In 2008-2009, we issued more than 90.9 million payments on time to over 11 million individuals and families, totalling more than $16 billion, on behalf of federal, provincial, and territorial governments.

In delivering benefit and credit programs, and other related services, we support the efforts of governments across Canada to assist families and individuals. Our flexibilities as an agency and the adaptability of our systems enable us to leverage our federal delivery infrastructure to administer a range of ongoing and one-time programs on behalf of provincial and territorial governments and federal government departments. These capabilities also enable us to provide information, as authorized by law, to support the programs that government clients themselves administer.

Canadians expect their tax system to be fair. This is equally true for the issuance of benefit payments as the assessment of tax. By ensuring that only eligible individuals receive benefits and that their entitlements are correct, we respond to Canadians' expectations and protect benefit recipients from any undue hardship caused by under- or overpayments.

Our focus

Our focus is to ensure that eligible Canadians receive the benefits and credits to which they are entitled, through reliable and correct payments. We strive to provide benefit recipients with timely and accurate information, services, and easy access to the benefit programs we administer. In addition, we work closely with our government clients to reduce the overall cost of administering benefit programs. We do this while responding to our clients' priorities and requirements through integrated application forms and processing, as well as data exchanges where authorized by law.

Strengthening service

A fundamental tenet of our approach to benefits administration is our belief that families and individuals will access programs and comply with their obligations when they are well informed. During 2008-2009, we provided easier access to benefits-related information, tools, and services to help Canadians better understand how to meet eligibility requirements and receive accurate payments. The increased number of contacts by recipients that occurred during the past year indicates to us that we successfully enhanced communications and information sharing with our existing and potential benefit recipients.

"We have streamlined the process so that Canadians can easily exercise their right to receive their related benefit and credit payments."

Jean-Pierre Blackburn
Minister of National Revenue

Our Automated Benefits Application will improve the timeliness and accuracy of Canada Child Tax Benefit, Universal Child Care Benefit, Goods and Services Tax/Harmonized Sales Tax Credit, and related provincial and territorial program payments.

During 2008-2009, we laid the groundwork for Automated Benefits Applications (ABA), which will allow parents to apply for child and family benefits when their child is born by checking a box on their provincial or territorial birth registration forms. Our ABA initiative is an important step to improve service by simplifying the benefit application process. It is also a vital compliance tool that provides source data from provinces and territories to ensure timely, valid, and accurate application information. We believe that by simplifying the benefit application process through ABA we have reinforced our commitment to ensure that eligible Canadians are aware of and can readily access the benefits and credits to which they are entitled.

We recognize that enrolment levels for some segments of the population could be improved. Persons with disabilities, First Nations, and new residents may benefit from information services that are more specialized. In 2008-2009, we pursued outreach opportunities targeting such specific segments of the population. Our objective in providing these information sessions and packages was to raise awareness of our benefit programs and encourage qualified individuals to apply. Although it is not possible to attribute clear results to these efforts, we believe these outreach activities had at least some degree of positive impact on enrolment levels.

Since access by telephone is important to benefit recipients, we strengthened this service and met our commitment to putting in place improved caller accessibility during this past year. To achieve this, we reallocated additional resources to our benefit services telephone enquiries area and enhanced our caller accessibility levels. Due to these actions, the number of callers able to reach us by telephone increased.

Priority: Enhance our electronic service offerings

Achievement: We enhanced our Web self-service options to accommodate a higher level of Web access and improved the update facility for benefit recipients.

Benefits validation

In carrying out our validation work, we seek to provide information to existing benefit recipients and to create a credible enforcement presence in order to act as a deterrent to non-compliance. In 2008-2009, we implemented elements of our long-term benefits-specific compliance strategy. In doing so, we identified not only recipients who were overpaid, but also those who were underpaid. These findings allowed us to make the adjustments needed to correct benefit and credit issuances, which is an important step in maintaining the integrity of our administration of benefit and credit programs.

In 2008-2009, we continued to establish benchmarks through specific validation projects. The consistent review and comparison with the base data allows the need for changes to be recognized in a timely manner and appropriate strategies introduced promptly, thereby reducing the overall cost associated with non-compliance.

> **"The public's trust in our integrity is something very precious. It's something that we must work together to nurture and protect, because it's absolutely critical to our ability to carry out our business."**
>
> William V. Baker

Reinforcing trust

We believe that the ease with which benefit recipients can communicate their concerns to us and how we deal with these concerns has a significant influence on Canadians' perception of the fairness of our administration of Canada's benefit system. We further believe that a positive perception by Canadians of the CRA has a positive impact on levels of compliance.

In response to a 2006 internal audit that noted that our benefits quality review process varied across the country, in 2008-2009 we implemented our Quality Review Strategy. This provided a framework to standardize and improve our quality review process to ensure a consistent approach. By doing so, we improved our ability to measure processing accuracy and to more rapidly detect and address administrative issues.

During 2008-2009, we started making payments for the following programs:

- the British Columbia Climate Action Dividend
- the British Columbia Low Income Climate Action Tax Credit
- the Ontario Senior Homeowners' Property Tax Grant
- the Working Income Tax Benefit Advance Payments

Maintaining effective relationships

Our partnerships with provincial and territorial governments, as well as other federal departments, help lower the overall cost to Canadians of benefit and credit issuance by reducing duplication in administration costs. In 2008-2009, we began administering four new payment programs and twelve new data exchange services. We also began work with Human Resources and Skills Development Canada (HRSDC) on an assessment of the effectiveness and efficiency of the administration of the Universal Child Care Benefit (UCCB). By undertaking such arrangements, we reinforce our contribution as a key service provider that helps reduce the cost of government in Canada.

Our strategic outcome measures

The indicators that we use to measure our results focus on the following:

- the extent to which potential recipients apply for benefit programs;
- the timeliness of the payments;
- the extent to which recipients meet their continuing obligation to provide us with up-to-date eligibility and account information; and
- the attractiveness of our program and service delivery infrastructure to federal, provincial, and territorial clients.

Eligibility, timeliness, and accuracy

During 2008-2009, more than 90% of all Canadian families with children under 18 received the Canada Child Tax Benefit.

We estimate the percentage of potential Canada Child Tax Benefit (CCTB) recipients by comparing our enrolment data with the information from Statistics Canada that is available after each census. We use this comparative data to ensure that we are providing full access to benefits and credits. Our most recent take-up study indicates that the majority of eligible Canadians access benefit programs even though there is no legal requirement to apply for them. This suggests to us that we are attaining our goal that all eligible recipients know about and apply for benefits.

For some recipients, benefit payments make up a substantial portion of their income, and receiving child benefits on time each month or the GST/HST credit on time each quarter can be an important factor in meeting household expenses. During 2008-2009, we exceeded our target that measures the percentage of benefit payments made on time, demonstrating that entitled recipients can rely on our timely delivery of their benefit and credit payments.

It is the responsibility of each recipient to provide us with complete and accurate information to maintain their eligibility and permit the accurate calculation of their benefits. In 2008-2009, a random sample study indicated that 92.9% of benefit recipients had provided us with complete and accurate information. As this is slightly below the target, we will continue to monitor the results and analyze the results of other validation projects to determine if a trend is indicated.

An important indicator that our calculation of benefit payments is correct is the low net value of CCTB overpayments issued. These amounts are typically a result of delayed account revisions. A net CCTB overpayment increase of $36 million was created during 2008-2009, representing only 0.38% of the $9.5 billion in CCTB payments issued during the year, meeting our established target.

In 2008-2009, 99.85% of benefit payments were made on time and we processed benefit and credit applications and marital status change forms accurately 97.6% of the time.

Provider of choice for benefit programs and services

We have a reputation for providing accurate, efficient, and cost-effective delivery of many benefit and credit programs. The increase in data transfer and data exchange services we deliver has grown from 58 in 2004-2005 to 93 in 2008-2009. We added a total of 16 programs and services last year.

Benefit-related programs and services	2007-2008	2008-2009	Change
Number of Programs Administered (ongoing and one-time)	31	35	4
Number of Income Verification Data Exchanges via File Transfer Protocol (FTP)	23	32	9
Number of National Child Benefit Supplement (NCBS) Data Exchanges	11	11	-
Number of Ongoing Benefit Program Data Transfers with Provinces and Territories	8	10	2
Ongoing Exchanges With Federal Partners	4	5	1

Conclusion

It is our assessment that we met our Benefit Programs strategic outcome. Through our efforts in administering benefit programs, eligible families and individuals received timely and correct benefit payments, and our government clients were afforded reliable services, enjoyed lower administration costs and more effective compliance. Benefit recipients can rely on the CRA to administer a better-integrated benefits system of high integrity and be assured that the CRA contributes to reducing the overall cost of government in Canada.

Our administration and delivery of timely and accurate benefits and credits makes a meaningful difference in the lives of Canadians each year. Citizens receive more comprehensive and better integrated benefits and services that are simpler for them to use.

Our Benefit Programs Strategic Outcome Measures

Our Measure	Year	Performance Rating	Data Quality
Eligible families and individuals receive timely and correct benefit payments.	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicator	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Establishing eligibility							
Percentage of potential entitled recipients who receive the CCTB (reported after each census)	95%	N/A	N/A	N/A	N/A	94.9%	✓
Payment timeliness							
Percentage of Benefit recipients who receive payments on time	99%	99.81%	99.97%	99.99%	99.99%	99.85%	✓
Benefit payments are correct							
Percentage of CCTB recipients that provide complete and accurate information and receive the proper entitlement	95%	93.2%	95.1%	95.5%	95.5%	92.9%	☑
CCTB overpayment debt as a percentage of payments issued	<0.4%	0.09%	0.27%	0.2%	0.32%	0.38%	✓
Provinces, territories, and federal departments rely on the CRA as a key service provider							
Number of programs and services administered	Upward trend	58	67	72	77	93	✓

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Our Performance Results

The following sections of this report are organized according to six areas of the Canada Revenue Agency that are designed and managed to meet a specific public need, and are generally treated as a budgetary unit. Each section is set up to reflect how we allocate and manage our resources to achieve intended results.

- **Taxpayer and Business Assistance** assists taxpayers in meeting their obligations under Canada's self-assessment system.
- **Assessment of Returns and Payment Processing** processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and receives payments.
- **Accounts Receivable and Returns Compliance** detects and addresses non-compliance with taxpayer filing and remittance requirements and manages tax debt.
- **Reporting Compliance** verifies the complete and accurate disclosure by taxpayers of all required information to establish their tax liabilities and protects the revenue base through audit and enforcement activities.
- **Appeals** provides a timely and impartial dispute resolution process for taxpayers who disagree with decisions made by the CRA.
- **Benefit Programs** provides Canadians with income-based benefits and other services that contribute directly to their economic and social well-being.

For each section, we present a discussion of the achievements against the priorities identified in our *Corporate Business Plan 2008-2009 to 2010-2011*, and performance in relation to the expected result(s), specify the key results achieved during the year, provide a snapshot of the spending profile, and list notable achievements. At the end of each discussion, we present the results associated with each of our key performance indicators in a report card format to demonstrate how we arrived at our conclusion for each expected result.

Key Volumetrics:

- over 27 million individual and trust tax returns and nearly 1.8 million corporate tax returns processed;
- over 79 million visits to the CRA Web site;
- approximately 25 million public enquiries answered;
- 15,429 volunteers completed 482,487 simple tax returns for low-income, eligible taxpayers;
- more than 6,000 voluntary disclosures processed, with related assessments totalling nearly $300 million;
- over $17.8 billion in non-compliance identified;
- over $913 million in interest and penalties waived or cancelled under the taxpayer relief provisions; and
- more than $16 billion of federal, provincial, and territorial benefit and credit payments issued.

Taxpayer and Business Assistance

cra.gc.ca
arc.gc.ca

Overview

Our Taxpayer and Business Assistance area assists taxpayers, businesses, and registrants in meeting their obligations under Canada's self-assessment system by providing accurate and timely responses to their enquiries. In addition, we provide rulings and interpretations to clarify and interpret tax laws, as well as for CPP/EI purposes, and administer federal tax legislation governing registered plans and charities.

Our Goal

In 2008-2009, our goal was to build on our position as an innovative service leader and increase compliance in all areas of tax regulation.

Our Outcome

In 2008-2009, we succeeded in improving the quality of our services to make them easier to use to encourage participation in the Canadian tax system, and facilitate compliance. We increased our collaboration with provincial and territorial governments and enhanced compliance within the tobacco industry.

Our Challenge

To implement solutions to meet and exceed the exacting service expectations of a diverse set of individuals, businesses, and other entities that have different needs, obligations, and levels of understanding in a tax system that can be complex and challenging at times. In addition, existing tax legislation and government policy objectives can be challenged by emerging business practices and economic developments, to which the CRA must be responsive and adaptive.

Our Expected Results:

1. Taxpayers, businesses, and registrants have access to timely and accurate information.
2. Non-compliance is detected and addressed.

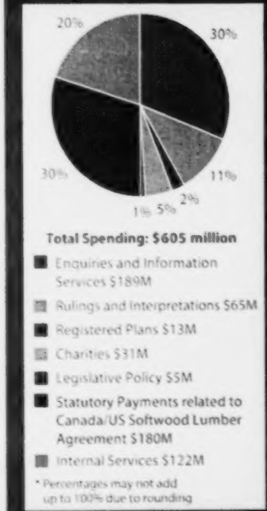
Our Assessments:

1. Mostly Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$622,654
Actual Spending 2008-2009	$604,987
Variance	$17,667



In 2008-2009, spending for this program activity totalled $605 million (4,844 FTEs) or 14.4% of the CRA's overall expenditures. Of this $605 million, $483 million were net program expenditures and $122 million was allocated to this program activity for internal services.

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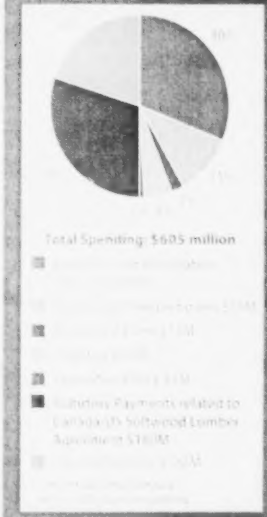

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Our 2008-2009 priorities

In support of the overarching theme of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and addressing non-compliance.

Strengthening service

To strengthen service delivery, we focused on increasing the accessibility and efficiency of our programs and services.

Our Smartlinks service aligns telephone and Internet service delivery channels by linking users of our Web site tax information for individuals and businesses to our telephone service. This past year, we expanded our Smartlinks service by adding new links to selected CRA Web pages for individuals. In 2008-2009, our expanded Smartlinks program provided direct telephone access to subject matter experts for over 34,000 taxpayers, a 34.2% increase from the previous year. In addition, our E-services Helpdesk, which supports electronic service delivery programs, such as NETFILE, responded to over one million enquiries in 2008-2009. This is a 39% increase from the close to 774,000 enquiries received in 2007-2008. We believe both of these examples are indicators of the success of our accessibility enhancements.

Under our Community Volunteer Income Tax Program, we partner with community organizations to organize and run tax return preparation clinics for eligible taxpayers. In 2008-2009, volunteers were trained using a new CD. This ensured uniform volunteer training in order to improve the quality of service. In this way, we enhanced the help given to lower-income individuals who were not able to prepare their tax returns on their own.

Community Volunteer Income Tax Program	2007-2008	2008-2009	Change
Total Volunteers	14,251	15,429	8.3%
Number of returns prepared by volunteers	448,288	482,487	7.6%

This past year, we enhanced our National Quality and Accuracy Learning Program, a learning tool designed to assist our agents in improving the quality and accuracy of the service they provide. Our results on call quality and accuracy are used, in part, to identify training needs and emerging service issues and trends. We also converted more of our paper-based training products for our agents into online and e-learning training products in 2008-2009. In addition, we improved the navigation between the agent's desktop and online reference material, providing them with faster access to the information needed to address taxpayer enquiries. By taking these steps, we believe taxpayers were further assured that they received accurate information, which is critical in helping them meet their tax obligations.

Priority: Make our services easier to use

Achievement: During 2008-2009, our testing of the usability and accessibility of our Web pages allowed us to identify and make improvements to support user needs, thereby improving the quality of our services.

Priority: Enhance targeting and customization of outreach programs

Achievement: We tailored new outreach programs and initiatives to the diverse needs of taxpayers. These included pre-retirement seminars, information sessions on the new tobacco stamp, town halls with forestry industry members, CPP/EI awareness sessions, small business seminars, and other presentations about timely topics such as job losses resulting from the economic downturn.

Addressing non-compliance

As a major step to prevent contraband tobacco products from entering the Canadian market, and to support the Government of Canada's health objectives, a prototype tobacco excise stamp was released and is currently being tested by the tobacco industry. Implementation is targeted for early 2010.

In support of the implementation of the *Softwood Lumber Products Export Charge Act, 2006*, we followed through on our commitment to work with exporters to promote continual compliance. We conducted verification activities to audit the books and records of exporters participating in the Softwood Lumber Export Charge program.

In 2008-2009, we concluded historic settlements agreements to resolve long-standing issues of contraband tobacco smuggling that took place in the early 1990's. This action resulted in two tobacco manufacturers agreeing to a $1.15 billion settlement. These settlements demonstrate that we are taking action to protect the integrity of the tax system, and that anyone operating outside the law will be held accountable.

Expected results

Our expected results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Taxpayer and Business Assistance activities to achieve two expected results:

- Taxpayers, businesses, and registrants have access to timely and accurate information.
- Non-compliance is detected and addressed.

Taxpayers, businesses, and registrants have access to timely and accurate information

Performance Rating: Mostly Met

As discussed in the section entitled Achieving Our Tax Services Strategic Outcome on page 19, the telephone remains a popular channel through which taxpayers seek information from the CRA. The timeliness with which we respond to taxpayer telephone enquiries is a key measure of our performance. In 2008-2009, we met our service standards for answering general and business tax enquiries in a timely manner, as we have done in the past four years. We also exceeded our service standard for answering charities enquiries.

As of January 1, 2009, the CRA became the first point of contact for all Corporate Tax Administration for Ontario enquiries through a dedicated team of specially trained business enquiries agents.

By reallocating resources to strengthen service and increase caller accessibility in 2008-2009, our results improved significantly over the previous year. As noted in our Performance Report Card on page 43, we exceeded our new 90% caller accessibility targets for general and business enquiries.

We did not meet our performance targets for responding to simple and regular charities applications within the established timeframes. Due to a high inventory of charities files that needed to be processed, as well as staffing shortages and high employee turnover, a performance shortfall resulted. Steps have been taken to resolve this and it is expected that targets will be met by the end of 2009-2010.

Priority: Increase electronic service offerings

Achievement: We successfully developed and implemented a system that allows Tax-Free Savings Account (TFSA) issuers to electronically file the required information to the CRA.

Priority: Modernize and strengthen our charities program

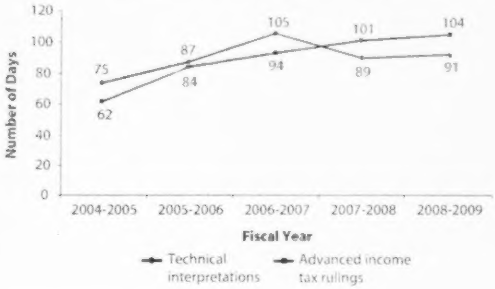
Achievement:
In 2008-2009, we

- revised the annual information return for charities;
- improved the search and display functionality of charities Internet forms
- implemented service options for charities within My Business Account; and
- delivered our first charities information session via online "webinar"

Priority: Improve the quality of our information services

Achievement: In 2008-2009, we added centres of expertise to our tax enquiries call centres to improve the timeliness and accuracy of responses to selected highly complex, low-frequency enquiries. This improved accessibility for other callers, who had general and account-specific enquiries.

Figure 10 Timely Response to Requests for Advance Income Tax Rulings and Technical Interpretations



Data quality: Good

After seeing some improvement last year in our results related to our service standard for the provision of technical income tax interpretations, our results in 2008-2009 declined slightly (see Figure 10). In addition, there remains a need for improvement in meeting our service standard for issuing advance income tax rulings. The increase in turnaround time has largely been caused by increased file complexity and the ongoing challenges of retaining experienced staff for this specialized workload. To meet the critical deadlines for these files, we have developed a comprehensive approach using a framework centred on defining and analyzing the key issues and devising a course of action by the end of 2009-2010.

To ensure that the information we provide through our enquiries services is accurate, we use qualitative and quantitative quality assurance techniques that provide ongoing, timely feedback to our enquiries agents. This is done through both our National Quality and Accuracy Learning Program and the survey we conduct on the accuracy of our telephone agents' responses to non-account-specific enquiries. In 2008-2009, the results from our ongoing quality monitoring programs indicated that accuracy is assured as a key element of providing quality enquiries services.

Non-compliance is detected and addressed

Performance Rating: Met

In 2008-2009, the number of excise regulatory reviews and audits exceeded our 90% target. We are confident that these programs will continue to be effective in addressing non-compliance.

We were successful in completing the required number of charities audits. We fell short, however, of our target to complete registered plan audits due to staffing challenges.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers, businesses, and registrants have access to timely and accurate information	**2008-2009**	**Mostly Met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
General calls answered within two minutes of entering the queue	80%	81%	80%	82%	83%	82%	✓
Business calls answered within two minutes of entering the queue	80%	81%	85%	81%	82%	87%	✓
Charities calls answered within two minutes of entering the queue	80%	90%	86%	89%	86%	87%	✓
Respond to written requests for GST/HST rulings and interpretations within 45 working days of receipt of request[1]	80%	86%	88%	87%[2]	89%	93%	✓
Average number of days to issue an income tax technical interpretation to taxpayers	90 days (avg)	75 days	87 days	105 days	89 days	91 days	☑
Average number of days to issue an advance income tax ruling to taxpayers	60 days (avg)	62 days	84 days	94 days	101 days	104 days	✗
Percentage of CPP/EI rulings issued within targeted time frames	85%	91%	92%	86%	93%	91%	✓
Percentage of responses to simple applications for charitable registration within targeted time frames (2 months)	80%	N/A	N/A	N/A	42%	58%	✗
Percentage of responses to regular applications for charitable registration within targeted time frames (6 months)	80%	N/A	N/A	N/A	53%	22%	✗
Percentage of registered plans applications reviewed within established time frames	85%	89%	96%	97%	94%	92%	✓
Percentage of accurately updated internal reference materials for taxpayer services and charities agents	100%	N/A	N/A	N/A	N/A	100%	✓
General callers that reach our telephone service	90%	83%	83%	83%	84%	92%	✓
Business callers that reach our telephone service	90%	83%	91%	86%	79%	94%	✓
Charities callers that reach our telephone service	90%	94%	93%	96%	93%	93%	✓

[1] The target was raised from 75% to 80% in 2008-2009

[2] This became a service standard in 2006-2007. Prior-year results reflect performance against an internal target.

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2008-2009**	**Met**	**Good**
	2007-2008	N/A	N/A

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Percentage of excise regulatory reviews completed compared to planned	90%	N/A	N/A	N/A	N/A	91%	✓
Percentage of excise audits completed compared to planned	90%	N/A	N/A	N/A	N/A	96%	✓
Percentage of registered pension plan audits completed compared to planned	100%	N/A	N/A	N/A	N/A	96%	☑
Percentage of registered charities audits completed compared to planned	100%	N/A	N/A	N/A	N/A	100%	✓

✓ Met	☑ Mostly Met	✕ Not Met
n/a Not Available	N/A Not Applicable	

Assessment of Returns and Payment Processing

Overview

We undertake a wide range of activities to assess and process individual and business tax returns and payments, including the use of risk assessment, third-party data matching, and information validation to detect and address non-compliance. Our programs contribute to individuals and businesses meeting their filing, reporting, and payment obligations.

Our Goal

As in past years, our goal in 2008-2009 was to deliver accurate, efficient, and effective processing of individual and business tax returns and payments in order to protect Canada's revenue base and make it easier for Canadians to meet their tax obligations.

Our Outcome

Our results in 2008-2009 demonstrated our success in delivering responsive and accessible programs and services. We expanded and enhanced our electronic service options to make it easier for taxpayers to interact with us.

Our Challenge

Our programs are directly impacted by evolving government priorities and new initiatives in any given year. It is crucial, therefore, that we focus on maintaining a solid core of knowledgeable staff capable of implementing required legislative changes on behalf of governments across Canada in a timely and cost effective manner.

Our Expected Results:

1. Assessment and payment processing are timely and accurate.
2. Non-compliance is detected and addressed.

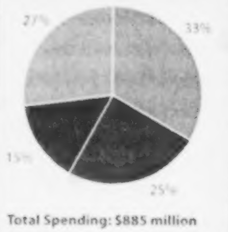
Our Assessments:

1. Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$940,057
Actual Spending 2008-2009	$884,967
Variance	$55,090



Total Spending: $885 million

- ▨ Individual Returns Processing $296M
- ■ Business Returns Processing $218M
- ■ GST Administration in Quebec $132M
- ▨ Internal Services $239M

* Percentages may not add up to 100% due to rounding

In 2008-2009, spending for this program activity totalled $885 million (8,772 FTEs), or 21.1% of the CRA's overall expenditures. Of this $885 million, $646 million were net program expenditures and $239 million was allocated to this program activity for internal services.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	2008-2009	Met	Good
	2007-2008	N/A	N/A

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Percentage of excise regulatory reviews completed compared to planned	90%	N/A	N/A	N/A	N/A	91%	✓
Percentage of excise audits completed compared to planned	90%	N/A	N/A	N/A	N/A	96%	✓
Percentage of registered pension plan audits completed compared to planned	100%	N/A	N/A	N/A	N/A	96%	☑
Percentage of registered charities audits completed compared to planned	100%	N/A	N/A	N/A	N/A	100%	✓

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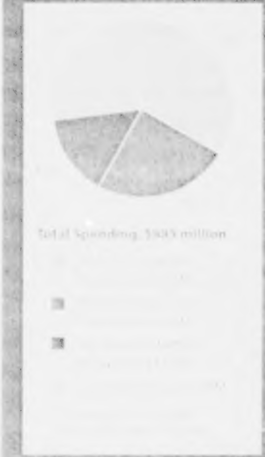

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Our 2008-2009 priorities

In support of the overarching theme of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and addressing non-compliance.

Priority: Provide enhanced Internet services

Achievement:

In 2008-2009 we:

- improved the Common Look and Feel of our online service offerings;
- introduced new features in My Account;
- enhanced accounting functions in My Business Account; and
- enhanced our Represent a client service

Strengthening service

To strengthen service delivery, we focused on increasing the accessibility and efficiency of our programs and services.

Our online self-service offerings continue to attract considerable interest from individuals and businesses. Taxpayers appear to have embraced Quick Access, our online service that enables individuals to view basic tax-related information. Individuals accessed this feature over one million times in 2008-2009.

My Account	2007-2008	2008-2009	Change
Successful log-ins	3,287,109	3,846,419	17%
Enrolments	313,830	320,992	2.3%

We enhanced My Account, our secure portal that gives individuals an online view of their tax and benefit information account history as well as transactional services. Successful log-ins to My Account for individuals increased 17% this fiscal year over last, and the number of new individual My Account enrolments increased 2% over the same period.

My Business Account	2007-2008	2008-2009	Change
Successful log-ins	110,755	351,510	217.4%

We made further enhancements to our online service offerings to meet the growing expectation of businesses for convenient and secure access. In 2008-2009, My Business Account registered over 351,000 successful log-ins, as compared with almost 111,000 in 2007-2008. As evidenced by the significant increase in log-ins over the past year, we believe that our efforts to enhance the overall functionality of this service is proving popular with business owners.

Priority: Implement initiatives of the Action Task Force on Small Business Issues

Achievement:

In 2008-2009, we:

- completed 31 of the 61 action items, with the remaining identified as ongoing work; and
- issued our final report on action items to the Action Task Force in November 2008.

Represent a client – Successful Accesses by Representatives	2007-2008	2008-2009	Change
Individual accounts	417,036	1,062,658	154.8%
Business accounts[1]	10,875	230,122	N/A

[1] Service began October 2007.

Our Represent a client online service offering has also experienced increased usage and interest from the representative community. The number of registrants for this service has increased by close to 42%. The Represent a client service gives representatives a secure, single point of access to multiple clients' information. We expect this to continue as more representatives become authorized for online access and begin taking advantage of My Business Account's features. Since its introduction in September 2006, over 450,000 business accounts have had authorizations processed to allow online access.

The CRA remains committed to reducing the burden on small business and will continue to consult and engage business associations to develop and offer services businesses want and need. In response to items identified in the *Report of the Canada Revenue Agency's Action Task Force on Small Business Issues*, we issued a Final Report on Action Items to the action task force members in November 2008. Of the 61 identified action items, 31 items were completed. The remaining 30 action items will become part of our day-to-day business, as we pursue meaningful reductions in the burden imposed on small businesses. The *Performance Measurement Framework for Compliance Burden Reduction*, which measures compliance costs in time and money, will be used to report on future progress in burden reduction measures.

Overall, we continue to make improvements to our programs and service offerings to make it easier, and to provide more options, for Canadians to interact with us.

Priority:
Implement the redeveloped GST/HST system

Achievement:
In 2008-2009, we made additional enhancements to our new GST/HST system.

Addressing non-compliance

We recognize that effective processes to identify and address non-compliance are essential to ensure that individuals pay their required taxes. Our strategies are designed to make the administration of the tax system more equitable and impose less burden on compliant taxpayers.

Our business returns assessing programs provide enhanced support to our compliance programs through post-assessing analysis work. As part of the administration of the *Softwood Lumber Products Export Charge Act, 2006* we conduct post-assessing activities relating to the validation of permit information reported by softwood lumber exporters. During the 2008-2009 fiscal year, we verified over 225,000 permits valued at over $3.3 billion. As a result of this review, we reassessed or referred 108 licensees for $5.1 million in permits.

We also conducted first-level reviews of foreign insurance tax exemption claims. During the 2008-2009 fiscal year, we reviewed 675 insurance exemption claims and denied 84 claims with a tax value of $2.2 million.

Priority: Implement the Corporate Tax Administration for Ontario initiative

Achievements:

In 2008-2009, we finalized the business requirements to enable the processing of harmonized T2 returns as of April 1, 2009.

Effective relationships

As part of our commitment to maintain effective partnerships with federal, provincial, and territorial organizations, as well as certain First Nations, we have sought to expand the use of the Business Number (BN) as a common client identifier for businesses to securely interact with various levels of government. Over the past year we established a new BN partnership agreement with Ontario. The BN partnership agreements cover 51 provincial business programs. In 2008-2009, we implemented a partnership with Ontario to include their Retail Sales Tax and Employer Health Tax programs in the family of programs using the BN as their program identifier. We have also been working towards including three Ontario Ministry of Labour programs and four additional Ministry of Revenue programs in the BN family, anticipated in the fall of 2009.

We believe that our 2008-2009 priority initiatives, when taken together, contributed to our goal of achieving excellence in program delivery by improving the accessibility and efficiency of our programs and services for Canadians.

Expected results

Our expected results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Assessment of Returns and Payment Processing activities to achieve two expected results:

- Assessment and payment processing are timely and accurate.
- Non-compliance is detected and addressed.

Highlights

- more than 27 million individual returns processed
- refunded $26.6 billion to nearly 17.9 million individual taxpayers
- more than 1.8 million corporate returns processed
- 34.7 million payments processed totalling more than $366 billion

Assessment and payment processing are timely and accurate

Performance Rating: Met

As evidenced in our Performance Report Card on page 51, we met our service standards for timeliness of high-volume processing activities. We deposited 99.2% of payments within our standard of 24 hours, and by mid-June, we had processed 99.9% of the individual returns that were filed on time. We also met our targets for T4 and T5 returns processing.

Returns Processed	2007-2008	2008-2009	Change
Individual - paper	11,448,136	12,068,728	5.4%
Individual - electronic	13,684,533	15,044,363	9.9%
Corporate - paper	1,459,160	1,453,422	-0.4%
Corporate - electronic	314,682	400,220	27.2%

Our primary tool for determining the accuracy of assessed returns is the T1 Quality Evaluation Program which reviews initial assessments of individual tax and benefit returns each year. Our review for 2008-2009 shows that the percentage of processing errors with an impact on a taxpayer's refund or balance due was less than 1.1%. From 1999 through 2008, the amounts involved were, on average, $245 to $334 per error.

The combination of our quality evaluation program and our use of bar-coding technology to capture data underscores our commitment to ensure accuracy in our processing activities.

2D Bar-Code Returns Processed	2007-2008	2008-2009	Change
T1 individual	4,288,857	4,640,244	8.2%
T2 corporate	1,163,470	1,244,944	7.0%

We also ensure accuracy by using two-dimensional (2-D) bar-code technology for computer-generated paper returns. A 2-D bar code contains all of the tax-filer identification and financial data necessary to assess the return, and virtually assures the accurate capture of tax-filer data. At the end of 2008-2009, 38% of all individual paper filed returns had been processed using this technology.

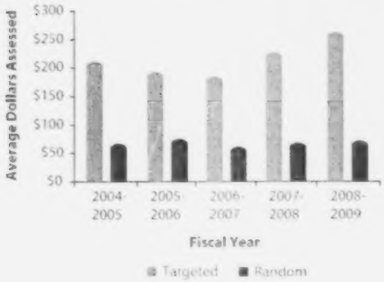
This was the second full year that we processed bar-coded T2 corporation income tax returns. In 2008-2009, 85% of all corporation paper filed returns used 2-D bar codes. As evidenced by the year-over-year data for T2 filing, the availability of electronic options and 2-D bar-coding technology are quickly overtaking the traditional paper (no bar code) filing. Making use of available technology not only makes good business sense, but also supports sustainable development by reducing paper consumption and storage requirements.

Non-compliance is detected and addressed

Performance Rating: Met

Our T1 post-assessing programs are in place to identify and address instances of non-compliance. These are an integral part of the CRA's overall approach in managing compliance risk and ensuring that individuals pay their required taxes.

Figure 11 Targeted vs. Random Reviews – Average Additional Value Assessed ($) by Review Type



Data quality: Good

We subject returns to further review under our T1 post-assessment programs. The success of this risk-assessment approach is demonstrated by the fact that recoveries for targeted reviews chosen on the basis of risk exceed those for random reviews. During 2008-2009, we made adjustments on almost 31% of over 870,000 T1 returns that were part of a targeted review and on 17% of over 89,000 T1 returns that were part of a random review. The average additional amounts recovered per review were $257 for targeted reviews and $66 for random reviews (see Figure 11).

We have three main types of T1 tax review programs: the Pre-Assessment Review Programs, the Processing Review Program, and the T1 Matching Program. One of our pre-assessment review programs is the Confidence Validity Program. Through this program, various deductions and credits on returns are reviewed and corrected before a Notice of Assessment is issued. We identified an average amount of $471 of additional tax assessed per review, for a total of almost $136 million, an increase of 7.4% over the previous year.

Confidence Validity Program	2007-2008	2008-2009	Change
Net additional tax assessed	$126,356,704	$135,735,188	7.4%

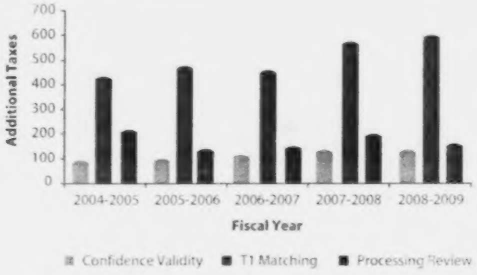
Our Processing Review Program promotes compliance and helps maintain confidence in the fairness of our programs through increased education, effective risk-scoring systems, and a balanced approach to our file selection process. We identified an average amount of $257 of additional tax assessed per review for a total of over $152 million, a decrease of 19.8% from the previous year.

In 2008-2009, for every dollar recovered through random reviews, we recovered $3.90 through our targeted reviews. This demonstrates the success of our risk accessement approach.

Our Processing Review Program, in conjunction with our Confidence Validity Program, applies risk measurement strategies to all returns. Each return is subject to risk assessment and those scoring highest are reviewed before assessment in this program.

Our T1 Matching Program promotes compliance through the use of third-party database information. These activities take place after a notice of assessment is issued to a taxpayer.

Figure 12 Additional Taxes Assessed Through T1 Reviews



Data quality: Good

Our T1 Matching Program compares information on an individual's income tax and benefit return with information provided by third-party sources, such as employers or financial institutions. In 2008-2009, this program generated almost 9% more in additional tax assessments than the previous year. This continued upward trend clearly demonstrates the vital role played by third-party information reporting in promoting compliance among individual taxpayers.

As demonstrated in Figure 12, in 2008-2009 the change rate throughout our T1 tax review programs resulted in over $910 million in additional taxes assessed, an increase of 2.3% over the previous year.

Our Beneficial Client Adjustments initiative underscores our commitment to ensure fairness in our dealings with taxpayers.

An integral part of our overall review program is our Beneficial Client Adjustments initiative. By comparing an individual's return to third-party information, we identify areas where the taxpayer may have under-claimed credits relating to tax deducted at source or Canada Pension Plan contributions. We adjust these returns and allow amounts to which the taxpayer is entitled and, if applicable, issue a refund. In 2008-2009, we identified and corrected over 238,000 individual returns, resulting in an average beneficial adjustment of $406 per return.

Beneficial Client Adjustment Initiative	2007-2008	2008-2009	Change
Average beneficial adjustment per return	$355	$406	14.7%

Conclusion

As evidenced by our overall results in 2008-2009, we are confident that we successfully met our goal of providing Canadians with accurate, efficient, and effective processing of their individual and business tax returns and payments. We believe that we have achieved excellence in our program delivery by strengthening our services and enhancing our efforts to address non-compliance.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Assessment and payment processing are timely and accurate	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Service Standards[1]							
Processing T1 individual income tax returns: paper within 4-6 weeks[2]	100%	3.6 weeks	3.6 weeks	3.9 weeks	4.1 weeks	4.0 weeks	✓
Processing T1 individual income tax returns: electronic within 2 weeks[2]	100%	1.9 weeks	1.9 weeks	1.6 weeks	1.7 weeks	1.6 weeks	✓
Percentage of GST/HST returns processed within 21 days	95%	97%	98%	98%	n/a	–	✓
Percentage of GST/HST returns processed within 30 days[3]	95%	96.5%	98.3%	98.5%	92%	97%	✓
Processing T2 corporation income tax returns within 60 days	90%	N/A	N/A	N/A	91.9%	90.7%	✓
Processing Excise Tax, Excise Duty, and Air Travellers Security Charge return within 90 days	95%	N/A	N/A	98%	98%	99%	✓
Performance Standards							
Percentage of funds from non-electronic payments deposited within 24 hours of receipt	96%	88.6%	96.1%	95.9%	93.9%	95.2%	☑
T1 returns received on time processed by mid-June	98%	n/a	99.7%	99.7%	99.8%	99.9%	✓
Electronic Processing Take-Up							
Percentage of individuals and corporations who file electronically	Upward trend	n/a	n/a	✓	✓	✓	✓
Percentage of T1 returns assessed accurately	98%	99%	98.9%	98.9%	99.1%	98.9%	✓
Taxpayer-requested adjustments reassessed accurately	96%	n/a	n/a	97.4%	96.6%	97.0%	✓

[1] See Service Standards at the CRA – Overall Results on page 93 for breakdown of indicators, targets, and overall results against external service standards.

[2] Represents the average number of weeks

[3] The standard was changed from 21 days to 30 days to align with legislative change.

✓ Met	☑ Mostly Met	× Not Met
n/a Not Available	N/A Not Applicable	

Accounts Receivable and Returns Compliance

Overview

Our Accounts Receivable and Returns Compliance area manages the largest debt collection service in Canada, including receivables arising from income tax, GST/HST, the Canada Pension Plan, Employment Insurance, and defaulted Canada student loans. In addition, this area promotes compliance with Canada's tax legislation covering employers, payroll, and the GST/HST.

Our Goal

Our goal during 2008-2009 was to further our business transformation agenda, with a focus on implementing new technology and enhanced processes in order to put in place a taxpayer-centred approach aimed at addressing non-compliance and maximizing tax debt collections.

Our Outcome

In 2008-2009, we achieved success in addressing the tax debt effectively in critical areas. In addition, we reached our goals related to identifying and addressing non-compliance as it relates to employer, payroll, and GST/HST accounts. We believe the technological innovation and process enhancements put in place this past year significantly contributed to improvements in the management of our tax debt inventories.

Our Challenge

Due to the unpredictable nature of the intake of new debts, we face the constant challenge of resolving tax debt on a timely basis and keeping it within targeted levels. In addition, the current state of the economy places significant pressure on our capacity to identify and address hidden non-compliance in key risk areas, like employers and businesses required to collect GST/HST.

Our Expected Results:

1. Tax and non-tax debt are resolved on a timely basis and are within targeted levels.
2. Non-compliance is detected and addressed.

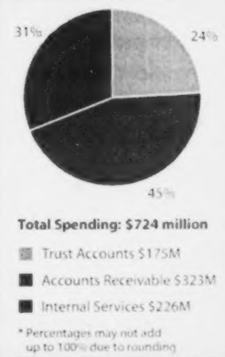
Our Assessments:

1. Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$742,946
Actual Spending 2008-2009	$724,003
Variance	$18,943



In 2008-2009, spending for this program activity totalled $724 million (9,238 FTEs), or 17.2% of the CRA's overall expenditures. Of this $724 million, $498 million were net program expenditures, and $226 million was allocated to this program activity for internal services.

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2008-2009 priorities

In support of the overarching theme of achieving excellence in program delivery, we committed to undertake a number of business transformation initiatives that focused on addressing non-compliance.

Priority: Implement business transformation technologies

Achievement: In 2008-2009, through our IRC project, we developed an integrated taxpayer-centred approach aimed at modernizing processes.

Addressing non-compliance

Over the past several years, we have been developing the Integrated Revenue Collections (IRC) platform, the framework upon which our business transformation is built. IRC technology allows us to access large amounts of taxpayer data related to both filing compliance and accounts receivable. In turn, this has enabled us to identify trends, patterns, and relationships to guide our development of strategies aimed at increasing the levels of compliance and revenue recovery. During 2008-2009, our IRC project yielded a new toolset that we began to use to analyze taxpayer accounts with a view to increasing the dollar recovery potential of the files we select for compliance action. We also completed a pilot project in our non- filer/non-registrant area to refine and enhance related file selection processes.

Also in 2008-2009, we enhanced our collections risk-management framework with the development of our first tactical plan. A key component of the plan was the analysis of a cross-section of Canadian industries, which enabled us to better identify those sectors that present a higher degree of collections risk. Based on the results of our study, we are examining a subset of these industries in order to implement some specific collection strategies in 2010-2011.

To further help us keep tax debt within targeted levels, we strengthened our accountabilities by establishing more, clear, and concise performance measurements in 2008-2009. For example, we introduced a single resolution target range in place of separate targets for cash and write-offs to strengthen our tax services office (TSO) agents' focus on resolving all accounts. We also modified our target for the value of TSO accounts receivable older than five years from a percentage value to a dollar value. Debt over five years when expressed in percentage terms was dependent on the value of new intake. When expressed in dollar terms, the debt over five years becomes a more concrete target.

Our strategies to improve our capacity to manage the tax debt as well as to detect and address non-compliance are slowly beginning to have a tangible impact on our achievements related to our expected results.

Expected results

Our expected results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Accounts Receivable and Returns Compliance activities to achieve two expected results:

- Tax and non-tax debt are resolved on a timely basis and are within targeted levels.
- Non-compliance is detected and addressed.

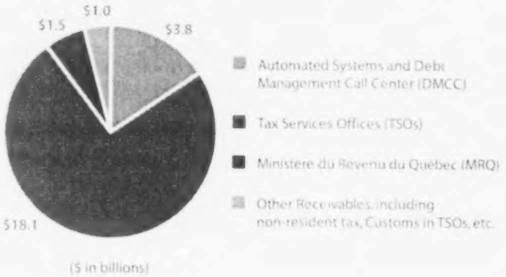
Tax and non-tax debt are resolved on a timely basis and are within targeted levels

Performance Rating: Met

The CRA is mandated to collect taxes, related interest, and penalties owed to the Crown. Tax debt occurs when monies owed are not paid when they become due. Early risk determination of the ability to collect outstanding amounts facilitates both timely and efficient debt collection, since the longer the debt exists, the harder and more expensive it can be to collect. Our key strategy is to resolve routine, low-risk tax debt at minimal cost within a specified period of time so that our TSO agents can concentrate on more complex, higher risk accounts.

Similar to other tax administrations around the world, increasing tax debt inventories are a reality of our operating environment. Consequently, our focus is to ensure that tax and other government program debts are resolved on a timely basis and are within targeted levels.

Figure 13 Allocation of tax debt between TSOs, Automated Systems and DMCC, MRQ, and Other Receivables strategies



Data quality: Good

At the end of the 2008-2009 fiscal year, total tax debt amounted to approximately $24.4 billion, an increase of $1.2 billion over 2007-2008. As shown in Figure 13, accounts requiring extensive analysis and investigation by TSO agents represented $18.1 billion. This includes actioned accounts where a pending resolution has been reached (for example, the taxpayer has agreed to pay the debt over a specified time period), but all or some of the debt has not yet been paid. The $3.8 billion in debt represents the portion of our year-end inventory that will be subject to lower cost, risk-based debt management strategies, including automated follow-up communications, correspondence, and action by our Debt Management Call Centre. In addition, $1.5 billion was the responsibility of Revenu Québec, and the remaining $1 billion of miscellaneous debt was assigned for handling through other means.

Total tax debt rose to $24.4 billion at the end of 2008-2009. This an increase of 5.2% over the previous year.

To assess our performance in addressing tax debt on a timely basis,[2] each year we expect our TSO agents to resolve at least 60% of the TSO intake of new debt.

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[2] We are currently developing an appropriate intake resolution indicator for the non-TSO collections sources.

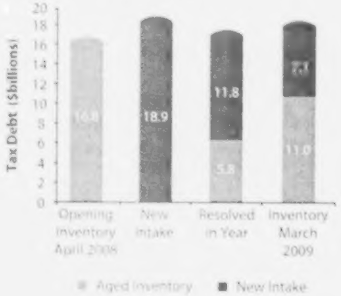
This is debt that is directly assigned to the TSO for resolution in the current year. As noted in our Performance Report Card on page 58, in 2008-2009 we exceeded our overall timeliness target by achieving 62.7%. We balance the timely resolution of new tax debt with working to resolve older debt as well. It is our view that achieving this balance is the best way for us to manage tax debt.

As shown in the adjacent table, we resolved approximately \$35.1 billion[3] of tax, unpaid at time of assessment during 2008-2009, compared to approximately \$30.5 billion[3] in 2007-2008. This is an increase of \$4.6 billion or 15.1%. Of this \$35.1 billion total, about \$17.5 billion[3] was resolved before moving to our higher cost risk-based debt management strategies as described earlier in this section.

Resolution of Tax Debt by Strategy ($ billions)	2007-2008	2008-2009	$ Change	% Change
Automated and DMCC strategies	$17.3	$17.5	$0.2	1.2%
TSOs	$13.2	$17.6	$4.4	33.3%
Total tax debt resolved	$30.5	$35.1	$4.6	15.1%

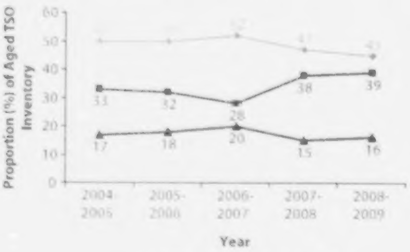
A significant increase in tax debt resolution was achieved in our TSOs this year with a \$4.4 billion or 33.3% improvement over last year. This was partially attributable to the resolution of several large commercial accounts. In 2008-2009, the \$17.6 billion tax debt resolution in our TSOs represents 93% of the value of TSO intake of new accounts receivable, exceeding our target of 90%.

Figure 14 2008-2009 TSO Intake, Resolution, and Inventory ($Billions)



Data quality: Good

Figure 15 Age of Tax Debt



Data quality: Good

As shown in Figure 15, the percentage of debt under one year of age (39%) has risen. In addition, over the past five years, the proportion of tax debt between one and five years of age has been reduced to 45%.

At the end of 2008-2009, the age of debt over five years had remained relatively steady at about 16%, or \$2.84 billion. This result was within our target of \$2.95 billion. We believe that the value of TSO tax debt inventory older than five years of age will remain within the established targets, and ultimately decrease over time.

Non-tax debt collections work included collecting EI overpayments, CPP overpayments, defaulted Canada Student Loans, and other debts on behalf of Human Resources and Skills Development Canada (HRSDC). In 2008-2009, as in past years, we exceeded our production targets, collecting over \$622 million or \$32.2 million more than our target.

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3. Values are approximate only due to ongoing financial adjustments.

Overall, our results, when considered in concert with the achievements we have made related to our business transformation agenda, demonstrate that tax and non-tax debt is resolved on a timely basis, and tangible progress has been made in both understanding and managing the growing tax debt.

Non-compliance is detected and addressed

Performance Rating: Met

To address individuals and organizations who fail to comply with Canada's tax laws, we facilitate and enforce compliance with taxpayers' and employers' compliance obligations under the various legislation we administer. Two key groups, non-filers/non-registrants (NF/NR) and employers who withhold deductions at source are of high interest.

Among the factors that contribute to the growth of tax debt in Canada is the increasing number of taxpayers who are pursuing aggressive tax planning schemes.

With regard to our NF/NR operations, we enforce taxpayer obligations to file individual, trust, GST/HST and corporate tax returns. In 2008-2009, we met our target for identified non-compliance.

Non-filer and non-registrant activities	2007-2008	2008-2009	Change
T1/T2 returns obtained	761,274	787,463	3.4%
Value of identified non-compliance	$2.41B	$2.39B	-0.8%
Number of legal actions	1,296	1,124	-13.3%
Value of fines levied	$1.4M	$1.2M	-14.2%
Number of prison sentences	49	46	-6.1%
GST/HST returns obtained	N/A	640,413	N/A

This year, we introduced two new indicators that will strengthen the measurement of our operational performance. The first provides the percentage of outstanding tax returns, summaries, and remittances identified that became compliant after the CRA initiated an action. The second was a percentage measure of the effectiveness of our actions in identifying businesses required to register for the GST/HST. Measurement of results related to these two new indicators is expected to begin in 2009-2010.

We are continuing to work with the Organisation for Economic Co-operation and Development (OECD) to identify and respond to compliance threats and share both our knowledge and best practices.

Employer withholding	2007-2008	2008-2009	Change
Payroll reviews and exams	666,770	647,320	-2.9%

Through our employer withholding activities, we enforce an employer's obligations to withhold, report, and remit source deductions and taxable benefits. As noted in our Performance Report Card on page 58, our reviews enabled us to identify non-compliance of $2.5 billion, exceeding our target of $1.4 billion.

This is debt that is directly assigned to the TSO for resolution in the current year. As noted in our Performance Report Card on page 58, in 2008-2009 we exceeded our overall timeliness target by achieving 62.7%. We balance the timely resolution of new tax debt with working to resolve older debt as well. It is our view that achieving this balance is the best way for us to manage tax debt.

Non-tax debt collections work included collecting EI overpayments, CPP overpayments, defaulted Canada Student Loans, and other debts on behalf of Human Resources and Skills Development Canada (HRSDC). In 2008-2009, as in past years, we exceeded our production targets, collecting over $622 million or $32.2 million more than our target.

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Total tax debt resolved	$30.5	$35.1	$4.6	15.1%

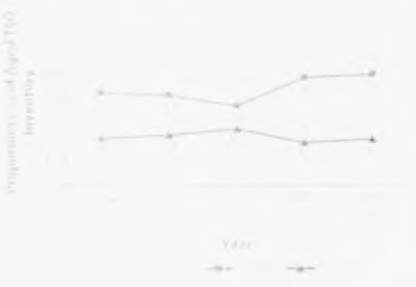
As shown in the adjacent table, we resolved approximately $35.1 billion[3] of tax, unpaid at time of assessment during 2008-2009, compared to approximately $30.5 billion[3] in 2007-2008. This is an increase of $4.6 billion or 15.1%. Of this $35.1 billion total, about $17.5 billion[3] was resolved before moving to our higher cost risk-based debt management strategies as described earlier in this section.

Figure 14 2008-2009 TSO Intake, Resolution, and Inventory ($ billions)

Data quality:

A significant increase in tax debt resolution was achieved in our TSOs this year with a $4.4 billion or 33.3% improvement over last year. This was partially attributable to the resolution of several large commercial accounts. In 2008-2009, the $17.6 billion tax debt resolution in our TSOs represents 93% of the value of TSO intake of new accounts receivable, exceeding our target of 90%.

Figure 15 Age of Tax Debt



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At the end of 2008-2009, the age of debt over five years had remained relatively steady at about 16%, or $2.84 billion. This result was within our target of $2.95 billion. We believe that the value of TSO tax debt inventory older than five years of age will remain within the established targets, and ultimately decrease over time.

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[3] Values are approximate only due to ongoing financial adjustments.

Overall, our results, when considered in concert with the achievements we have made related to our business transformation agenda, demonstrate that tax and non-tax debt is resolved on a timely basis, and tangible progress has been made in both understanding and managing the growing tax debt.

Non-compliance is detected and addressed

Performance Rating: Met

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Among the factors that contribute to the growth of tax debt in Canada is the increasing number of taxpayers who are pursuing aggressive tax planning schemes.

With regard to our NF/NR operations, we enforce taxpayer obligations to file individual, trust, GST/HST and corporate tax returns. In 2008-2009, we met our target for identified non-compliance.

Non-filer and non-registrant activities	2007-2008	2008-2009	Change
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GST/HST returns obtained	N/A	640,413	N/A

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We are continuing to work with the Organisation for Economic Co-operation and Development (OECD) to identify and respond to compliance threats and share both our knowledge and best practices.

Through our employer withholding activities, we enforce an employer's obligations to withhold, report, and remit source deductions and taxable benefits.

Employer withholding	2007-2008	2008-2009	Change
Payroll reviews and exams	666,770	647,320	-2.9%

As noted in our Performance Report Card on page 58, our reviews enabled us to identify non-compliance of $2.5 billion, exceeding our target of $1.4 billion.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Tax and non-tax debt are resolved on a timely basis and are within targeted levels	**2008-2009**	**Met**	**Good**
	2007-2008	Mostly Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Percentage of intake resolved in the year of intake	60%	61.2	62.4%	66.7%	60.4%	62.7%	✓
Dollar value of TSO production as a percentage of dollar value of TSO intake of new accounts receivable	90%	100%	99.8%	90%	83%	93%	✓
Dollar value of TSO tax accounts receivable older than five years ($billion)[1]	$2.95	$2.31	$2.45	$3.01	$2.58	$2.84	✓
TSO cash collections ($ billions)	$8.9	$8.8	$9.5	$9.7	$11.9	$16.0	✓
Non-tax debt – Dollars collected ($ millions)	$590.5	N/A	N/A	$592.0	$614.7	$622.7	✓

[1] revised indicator and target

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
T1/T2 non-filers/GST/HST non-registrant non-compliance (billions)	$2.4	$2.19	$2.46	$2.41	$2.41	$2.39	✓
Employer/payroll/GST/HST non-compliance ($ billions)	$1.4[1]	$2.19	$2.32	$2.37	$n/a	$2.54	✓

[1] Target excludes GST/HST delinquent filer program.

✓ Met	☑ Mostly Met	✕ Not Met
n/a Not Available	N/A Not Applicable	

Reporting Compliance

Overview

We undertake examinations, audits, and investigations to ensure compliance with Canada's tax laws. This includes verification and enforcement activities at the domestic and international level, including the administration of international tax agreements. We also provide information to taxpayers to help them comply. We conduct research to improve identification of non-compliance and develop strategies to address it.

Our Goal

As in previous years, our goal is to help protect Canada's tax revenue through a range of verification, audit, and enforcement activities, as well as through education. Our activities focus on the accuracy and completeness of the information with which taxpayers determine their tax liability.

Our Outcome

In 2008-2009, we confirmed existing compliance issues with the completion of the second Compliance Review; continued our strong enforcement record; and promoted public messaging to deter non-compliance.

Our Challenge

The increasing complexity of the Canadian and international economies presents ongoing challenges to the detection and deterrence of non-compliance.

Our Expected Results:

1. Non-compliance is detected and addressed.
2. Processing is timely and accurate.

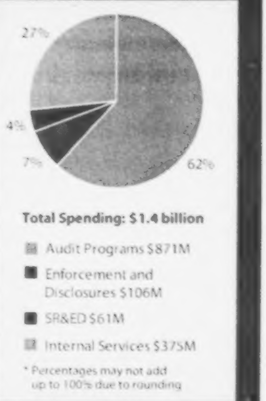
Our Assessments:

1. Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$1,483,442
Actual Spending 2008-2009	$1,412,781
Variance	$70,661



In 2008-2009, spending for this program activity totalled $1.4 billion (13,332 FTEs), or 33.6% of the CRA's overall expenditures. Of this $1.4 billion, $1.038 billion were net program expenditures, and $375 million was allocated to this program activity for internal services.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Tax and non-tax debt are resolved on a timely basis and are within targeted levels	**2008-2009**	**Met**	**Good**
	2007-2008	Mostly Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Percentage of intake resolved in the year of intake	60%	61.2	62.4%	66.7%	60.4%	62.7%	✓
Dollar value of TSO production as a percentage of dollar value of TSO intake of new accounts receivable	90%	100%	99.8%	90%	83%	93%	✓
Dollar value of TSO tax accounts receivable older than five years ($billion)[1]	$2.95	$2.31	$2.45	$3.01	$2.58	$2.84	✓
TSO cash collections ($ billions)	$8.9	$8.8	$9.5	$9.7	$11.9	$16.0	✓
Non-tax debt – Dollars collected ($ millions)	$590.5	N/A	N/A	$592.0	$614.7	$622.7	✓

[1] revised indicator and target

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
T1/T2 non-filers/GST/HST non-registrant non-compliance (billions)	$2.4	$2.19	$2.46	$2.41	$2.41	$2.39	✓
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✓ Met ✓ Mostly Met × Not Met

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Our 2008-2009 priorities

In support of the overarching theme of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and addressing non-compliance.

Priority: Corporate Tax Administration for Ontario Initiative

Achievement: Commitments to Ontario for this phase were exceeded and 94% of files started in the fourth quarter were integrated.

Strengthening service

To strengthen service delivery, we focused on increasing the accessibility and efficiency of our programs and services.

The Government of Canada has been working to harmonize tax and benefits administration across Canada to make it easier for Canadians to comply with their obligations and receive their entitlements. Having the CRA administer tax and benefit programs for federal, provincial, territorial, and First Nations governments simplifies participation in the tax system and increases the competitiveness of the Canadian economy. In 2006, the Government of Ontario and the Government of Canada agreed the CRA would administer Ontario's corporate income tax beginning in 2009.

Audits of Ontario and federal corporate income tax have been fully integrated for all large file audits started in 2008-2009. For other files, integrated audits have been phased in. Staff training and other implementation activities have been completed and we are on track to meet our commitment to Ontario that all audits started after April 1, 2009 will be integrated audits.

Priority: Enhance our administration of the scientific research and experimental development (SR&ED) tax credit

Achievements: In 2008-2009, we:

- redesigned our SR&ED Web pages;
- produced a CD-ROM that gives an overview of the SR&ED program and acts as a portal to our SR&ED Web pages; and
- published a new brochure and leaflet that provides a one-stop source of information on SR&ED.

Scientific Research and Experimental Development

To strengthen service delivery, we focused on increasing accessibility to, and the efficiency of, the Scientific Research and Experimental Development (SR&ED) tax incentive program. In 2008, Canada's SR&ED program provided about $4 billion in tax assistance to over 18,000 claimants.

During 2008-2009, we made it easier for businesses to apply for this tax incentive by publishing a simplified claim form and associated guide, as well as a new CD-ROM, brochure and leaflet. In addition, we developed a Web-based SR&ED Eligibility Self-Assessment Tool (ESAT) to help claimants identify whether their research and development projects may qualify under the program. Statistics on Web visits to our SR&ED home page indicate that awareness of the SR&ED program has increased, which we attribute, in part, to the release of these new products.

For more information on the CRA's administration of this federal incentive program please refer to www.cra.gc.ca/sred.

Addressing non-compliance

We strive to understand the compliance risks that challenge the Canadian tax system. The first Compliance Review in 2004-2005 identified four main high risk compliance areas, including aggressive tax planning, GST/HST high risk, underground economy, and revenue collection and non-filers/non-registrants to develop an agenda for strengthening compliance and integrity, both short and long term. A second Compliance Review was initiated in 2007-2008. The objective of this exercise was to identify new or confirm existing compliance priorities set out in our first Compliance Review and recommend new or revised strategies for addressing them.

The second Compliance Review identified five major compliance priorities which were aggressive tax planning, the underground economy, payment compliance, wilful non-compliance, and contraband tobacco.

Aggressive tax planning

Some tax intermediaries promote aggressive tax plans and schemes which go beyond the spirit of the law and are designed to obtain tax advantages that were not intended by governments. These abusive schemes and transactions are used to reduce, avoid or evade Canadian taxes sometimes through international transactions and, in particular, through the use of tax havens. Left unchecked, the integrity and fairness of Canada's tax system could be at risk.

In 2008 we identified over 17,000 participants claiming donations of $484 million in tax shelter arrangements. This dollar amount represents a 50% decline from 2007.

In 2008-2009, we met our audit targets related to the high risk compliance area of aggressive tax planning by completing cases involving aggressive domestic and international tax planning, high-risk international tax avoidance, complex high-risk international issues, and tax shelters.

Audits Completed	2007-2008	2008-2009	Change
High Risk International Tax Avoidance	N/A	35	35
International Audits (including complex transfer pricing)	1,309	1,439	130
Tax shelters	20,750	34,111	13,361

Implementation of our International Tax Compliance Action Plan is in progress and some of the actions are underway or ongoing to support four strategic objectives. These are to strengthen and modernize our core compliance programs; strategically and proactively communicate compliance actions; develop enhanced policy and legislative change proposals targeting international non-compliance; and leverage bilateral and multilateral relationships to achieve the overall goal of the Plan. A formal mid-term evaluation of the Plan is scheduled for 2009-2010.

Our compliance activities also target aggressive inter-provincial tax planning including any and all inappropriate attempts to shift income or profits between provinces to reduce or avoid paying provincial taxes. We are also developing an inter-provincial tax avoidance and provincial income allocation action plan for implementation in 2009-2010. In preparation, we have dedicated resources to address files where federal tax is not at issue but provincial tax is being avoided. In addition, we have established five inter-provincial tax avoidance centres of expertise to undertake research on provincial issues and possible strategies that are in use or could be in use.

Underground economy

The underground economy (UE) undermines the competitiveness of Canadian businesses because it offers an unfair, illegal advantage to those who fail to comply with Canada's tax laws.

In 2008-2009, we completed 148 interprovincial tax avoidance cases with provincial recoveries of over $300 million.

The CRA uses a mix of education, outreach, communication and compliance actions to combat the UE. We also work with other federal departments, provincial governments, tax administrations in other countries, international organizations, professional organizations and key industry groups to share best practices and develop innovative strategies to address the UE.

During 2008-2009, we conducted over 12,800 UE audits, resulting in over $265 million in fiscal impact. In addition to our dedicated UE audit resources, we have incorporated audit techniques to detect unreported income in all of our small business audits thereby increasing our scope for detecting unreported income. In 2008-2009, our UE and non-UE SME audit activities detected unreported gross income of $562 million and $810 million, respectively.

Annually, a number of pilot projects are undertaken to test innovative compliance approaches to detect and deter UE activity. Successful pilots are then integrated into our program activities and strategies. In 2008-2009, we evaluated the results of the 2005-2006 pilot projects and where results were positive we incorporated the activities into our regular work activity. Two such examples are the books and records review and construction summary worksheet which now form part of the SME business audit program and Non-filer/Non-resident program.

GST/HST high-risk compliance

Our approach to GST/HST compliance is to strengthen our Agency-wide capacity, enhance our enforcement activities, improve our ability to identify high-risk registrants and refund claims before refunds are issued, and broaden our engagement of stakeholders. Assessing the level of compliance is the first step in developing a compliance strategy for GST/HST refund claims, therefore the Agency initiated a project to estimate overstatements using post payment audits of credit returns filed in 2004. The report from the audits of 2200 randomly chosen GST/HST refund claims has been analyzed and we are looking at how to best integrate recommendations into our workload. Furthermore, we acquired investigative analysis software to aid in the detection of non-compliance as well as enhance our risk rating, analysis, and audit functions.

Compliance Communication Strategy Action Plan

Significant progress has been made over the past year in successfully implementing the many activities outlined in the action plan. Some activities carried out in the past year include:

- Tax Alerts, including topics such as tax shelters, sales suppression software, RRSP strips, email scams, income earned abroad, and more.

- News Canada – a series of articles related to the UE and a series of articles in partnership with the Federal / Provincial / Territorial Underground Economy Working Group related to filing.
- News releases – information on compliance volumetrics were released to raise awareness of the CRA's compliance activities, as well as the risks and consequences of non compliance.
- Project Trident communications strategy – Project Trident targets three types of fraud: identity theft, charities fraud, and tax preparer fraud. In order to ensure that the project has a maximum impact on public compliance, the CRA developed a global approach, including a series of special Web pages to attract attention to the smaller cases that make up Project Trident.
- Trade School Initiative – CRA and the provinces of British Columbia, New Brunswick and Ontario, as members of the Education Committee of the Federal-Provincial-Territorial Underground Economy Working Group, launched a new educational initiative to teach tax responsibilities to students preparing for careers in the construction and renovation industry. The initiative will include a special Web site, video, pamphlet, and CD-ROM.
- Canadians were invited to produce creative videos about the negative effects of the underground economy and submit them to the CRA by posting them to a special channel on YouTube.

A performance measurement framework is being developed that will enable the CRA to determine the effectiveness of the Compliance Communication Strategy.

Expected results

Our Expected Results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Reporting Compliance activity to achieve two expected results:

- Non-compliance is detected and addressed.
- Processing is timely and accurate.

Non-compliance is detected and addressed

Performance Rating: Met

As identified in our Performance Report Card on page 65, during 2008-2009 we exceeded both of our targets related to the number of files audited.

Fiscal Impact

Our audit programs detected a total of $8 billion in fiscal impact during 2008-2009. This total included $5.2 billion identified through international and large businesses audits; $2.2 billion resulting from audits and examinations in small and medium-sized enterprises; $358 million from special incentive audits; and $187 million as a result of audits related to our Special Enforcement Program.

Criminal investigations:

In 2008-2009,

- we referred 164 income tax and GST/HST investigations to the Public Prosecution Service of Canada;
- we referred 58 GST investigations to the ministère de la justice du Québec;
- these and referrals from previous years resulted in 323 convictions for fraud or tax evasion (including 66 cases in Quebec courts);
- courts across Canada imposed fines of close to $29.2 million;
- offenders were sentenced to more than 81 years in prison; and
- convictions were obtained in 98% of the cases prosecuted.

The most recent Core Audit Program (CAP) estimates for SME corporate filers are based on audits conducted during the 2007-2008 program year. Targeted audits for SME corporate filers were found to be more effective in terms of additional income assessed than random audits of this population by a ratio of three to one.

Overall, our indicators show that our Reporting Compliance area achieved its expected result during 2008-2009 by detecting and addressing non-compliance.

Processing is timely and accurate

Performance Rating: Met

Voluntary Disclosures Program

The Voluntary Disclosures Program (VDP) encourages taxpayers to correct past errors or omissions and report their tax obligations without penalty or prosecution. In 2008-2009, the program saw an 11% growth in intake and processed over 11,000 disclosures totalling almost $575 million in additional tax revenue. We saw a 31% growth in intake for the late filing of information returns, like foreign reporting requirements. These returns contain information we use to enhance our risk assessment processes and the identification of non-compliance. We have promoted the VDP in news releases and tax alerts and have incorporated it into compliance initiatives.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Non-compliance is detected and addressed	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Number of files audited as a percentage of estimate:							
• International and large businesses	100%	n/a	n/a	197%	124%	133%	✓
• Small and medium-sized enterprises	100%	n/a	n/a	153%	127%	136%	✓
Effective assessment of risk and detection of reporting non-compliance							
Results of targeted vs. random reviews (CAP)[1]	Exceeds	n/a	n/a	n/a	n/a	3.0	✓
Fiscal Impact ($Billion)	N/A	$5.8	$5.5	$7.9	$8.4	$8.0	N/A

[1] The Core Audit Program selects, in multi-year intervals, random samples of tax files from different segments of the SME population for auditing, in an effort to estimate a reliable non-compliance rate. This year, the CAP sampled T2 population where gross revenues is less than $12,000,000 and non-compliance greater than $5,000 in federal tax.

Expected Result	Year	Performance Rating	Data Quality
Processing is timely and accurate	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Processing non-resident regulation 105 waiver requests (within 30 days)	85%	N/A	N/A	N/A	83%	92%	✓
SR&ED refundable claims (within 120 days)	90%	93%	92%	96%	96%	96%	✓
Video and film tax credits - refundable claims – audited (within 120 days)	90%	95%	92%	96%	96%	96%	✓

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Appeals

Overview

Our ability to protect Canada's revenue base is strongly influenced by public confidence in how we administer Canada's tax laws. We strive to earn this trust by making fair and timely dispute resolution available to taxpayers and benefit recipients. Taxpayers can dispute assessments and determinations pertaining to income tax and commodity taxes, as well as CPP/EI assessments and rulings. If taxpayers are not satisfied with the results of our review process, they can then appeal to the courts.

Our service complaints framework has recently made redress more comprehensive. This framework has at its foundation the Taxpayer Bill of Rights, which includes eight service rights. Furthermore, it includes our Service Complaints Program, which provides taxpayers with a formal resolution process for complaints about mistakes, undue delays, and other issues related to service. We also administer the taxpayer relief provisions, which help taxpayers who are unable to meet their tax obligations because of extraordinary circumstances.

Our Goal

In 2008-2009, our goal was to demonstrate timeliness, impartiality, and consistency, while responding to a changing enforcement environment characterized by high volumes of disputes and those who challenge acceptable tax planning methods.

Our Outcome

Our performance in 2008-2009 demonstrated that we achieved our targets related to impartiality, consistency, and quality. However, we were able to meet or mostly meet only three of our seven timeliness commitments.

Our Challenge

We must accommodate the rising volume and changing nature of appeals in an environment where an increasing number of taxpayers benefit from not seeking a timely resolution of their tax disputes.

Our Expected Results:

1. Taxpayers receive an impartial and timely review of contested decisions.
2. Service complaints and the taxpayer relief provisions are administered consistently.

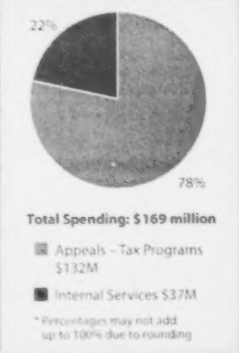
Our Assessments:

1. Mostly Met
2. Mostly Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009
$172,504
Actual Spending 2008-2009
$169,262
Variance
$3,242



Total Spending: $169 million

In 2008-2009, spending for this program activity totalled $169 million (1,521 FTEs), or 4.0% of the CRA's overall expenditures. Of this $169 million, $132 million were net program expenditures and $37 million was allocated to this program activity for internal services.

Appeals

Overview

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2008-2009 priorities

In support of the overarching theme of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and reinforcing trust.

Priority: Review and strengthen core business processes and operations

Achievement: We believe the steps we took in 2008-2009 to streamline our appeals activities contributed to the 1.5% increase in the number of dispute disposals this past year.

Strengthening service

During 2008-2009, we completed the national implementation of centres of expertise for our large-file activities. This step enabled us to streamline our appeals processing activities and contributed to improved workload management, productivity, and consistency in the treatment of files. In addition, we implemented a CPP/EI national resource bank on our intranet to help resolve key dispute resolution issues. We believe that this enriched work tool contributed to the 5% decrease in the number of workable days to complete a CPP/EI case.

Taxpayers' accessibility to their redress entitlements was made easier this year through enhancements to our Web site. The "Register My Formal Dispute" sub-application of My Account now enables electronic dispute submissions from self-employed individuals.

We took steps in 2008-2009 to improve our performance related to CRA Service Complaints. We began the development of quarterly reports to enable us to better understand complaint issues and deal with them effectively, as well as a national complaint quality assurance program to enable us to establish service complaints standards. We also initiated the integration of our Problem Resolution Program into our Service Complaints area so that we can make the best use of our infrastructure.

With the appointment of the Taxpayers' Ombudsman, taxpayers can now receive an independent and impartial review of service complaints that are not resolved to their satisfaction by the Service Complaints Program. The Ombudsman is mandated to uphold the service rights in the Taxpayer Bill of Rights, review individual service complaints, and report on systemic issues that negatively affect taxpayers.

Priority: Improve consistency in the agency-wide administration of the Taxpayer Relief Provisions program

Achievement: We have put in place a registry system that allows:

- officers to ensure mandatory questions are answered, consistent with publicly stated eligibility criteria; and
- completed files to be fully viewable by all officers, thereby increasing efficiency.

Reinforcing trust

A key aspect of our commitment to fairness is our mandate to consider relief to taxpayers through the taxpayer relief provisions contained in the various acts we administer. This year, we completed system enhancements that are intended to complement the program's fairness and consistency attributes. We also improved data capture and program reporting of emerging trends to enhance our monitoring and identification of issues relating to taxpayer provisions. We expect these measures will translate into increased consistency of service for taxpayers.

We believe that these priority initiatives contributed to improvements in the areas of productivity, consistency, and accessibility. Though we fell short in meeting all of our timeliness performance targets, we will continue to identify opportunities to respond to the evolving disputes and service complaints environment.

Expected results

Our expected results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Appeals activities to achieve two expected results:

- Taxpayers receive an impartial and timely review of contested decisions.
- Service complaints and the taxpayer relief provisions are administered consistently.

Taxpayers receive an impartial and timely review of contested decisions

Performance Rating: Mostly Met

Our aim is to ensure that all taxpayers have access to impartial redress. An impartial and timely process fosters trust in the integrity of our tax system, which helps promote voluntary compliance. To achieve impartiality, we believe our dispute resolution process must demonstrate high levels of transparency, consistency, and accessibility.

Our measures of transparency confirm whether all relevant information supporting issues under dispute—including auditor records, but excluding information held in confidence under governing legislation—were made available to the taxpayer. As noted in our Performance Report Card on page 72, we exceeded our 98% transparency targets for both income and commodity tax cases.

Quality Assurance Review – Using sampling methods, our quality assurance review examines our dispute resolution activities across Canada to assess our performance against our targets for consistency and transparency.

Our consistency measures confirm whether we reviewed, researched, and addressed issues under dispute; applied the law correctly and impartially; provided taxpayers with an opportunity to respond to our decisions; and arrived at an acceptable resolution. During 2008-2009, we exceeded our consistency targets for income tax and CPP/EI, but fell short of our target in commodity taxes. We have put in place an action plan to address this gap with the expectation of achieving improved results over the coming months.

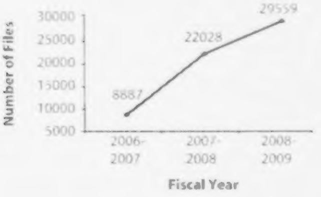
When taxpayers file a notice of dispute, our Appeals timeliness service standard aims to ensure that we notify them within 30 days that we received their dispute at least 85% of the time. In 2008-2009, we achieved our performance standard of 85% just 68% of the time, a decline from 2007-2008. This variance was caused by the high intake volume and the extensive work required before an acknowledgement of receipt of the dispute is sent to the taxpayer. We have recently completed a review of our intake centres and are implementing several recommendations to improve the efficiency and effectiveness of our screening activities, including a temporary reallocation of resources during peak periods of dispute intake.

Total disputes	2007-2008	2008-2009	Change
Disposals	65,663	66,637	1.5%
Intake	89,119	95,347	7.0%
Workable inventory	23,024	27,612	19.9%
Non-workable inventory	57,527	81,652	41.9%

Commodity tax disputes include primarily GST/HST issues, as well as issues concerning other excise taxes, levies, and rebates.

Total disposals of all file types, including income tax, commodity tax, and CPP/EI disputes, increased by about 1.5% over 2007-2008. However, the average age of workable inventories increased over last year.

Figure 16 Aggressive Tax Planning Cases Received



Data quality: Good

Income tax files comprised most of our intake files at about 90% of the total. As shown in Figure 16, in 2008-2009, the intake of disputed aggressive income tax planning files increased by about 34% over 2007-2008 and a 233% increase over 2006-2007. The significant increase in aggressive income tax planning objections resulted from income tax reassessments sent out after our identification of aggressive tax planning schemes. Our success in detecting a significantly higher level of reporting non-compliance, coupled with the complex nature of the disputes that arose from this activity, increased the average time it took us to resolve the resulting tax disputes.

Total dollar values:

- disputes resolved during 2008-2009: $3.27 billion
- outstanding disputes in our workable inventory: $5.3 billion
- outstanding disputes in our non-workable inventory: $6.9 billion

The delays in the front-end file review process had the effect of raising the age of the inventory that entered processing, which contributed to the increase in workable days before the cases were completed.

Income tax disputes	2007-2008	2008-2009	Change
Disposals	55,303	56,974	3.0%
Intake	78,845	85,436	8.4%
Workable inventory	18,920	22,877	21.0%
Non-workable inventory	55,583	80,090	44.1%

Despite achieving a 3% increase in the number of income tax disposals in 2008-2009, our closing inventory of workable income tax files increased by 21% over 2007-2008. This includes the new volume derived from the recent assumption of work related to the Corporate Tax Administration for Ontario initiative. Non-workable inventory increased substantially, reflecting the large number of aggressive income tax planning files held in abeyance pending decisions from the judicial system. Although we reallocated resources internally to increase our processing capacity in specific areas, this proved inadequate to meet the high volume.

Workable files are those that are awaiting our action.

Non-workable files are awaiting a court decision or action from others.

Commodity tax disputes	2007-2008	2008-2009	Change
Disposals	6,504	6,903	6.1%
Intake	7,146	6,906	-3.3%
Workable inventory	3,508	3,883	10.7%
Non-workable inventory	1,840	1,469	-20.2%

In 2008-2009, we achieved a 6.1% increase in the number of commodity tax disposals over 2007-2008. Combined with a slight decrease in intake, we were able to retain our level of ending workable and non-workable inventories at about the same level as the year before.

We believe that the improvement in our commodity tax file disposals performance was largely due to the enhancements we made to our processing of GST/HST files. Last year, the implementation of the GST/HST redesign project caused delays that prevented the timely processing and disposal of these files. Since the inventory could not be processed during the period of system change, this led to an increase in the age of the inventory. In 2008-2009, we took 214 workable days to resolve disputes for commodity taxes, a decline in performance from the 169 days achieved in 2007-2008.

The average time to resolve CPP/EI files decreased from 123 days in 2007-2008 to 117 days in 2008-2009. Our CPP/EI dispute resolution results benefited from both the 3.9% reduction in intake from 2007-2008 and improved productivity.

CPP/EI disputes	2007-2008	2008-2009	Change
Disposals	3,856	2,760	-28.4%
Intake	3,128	3,005	-3.9%
Workable inventory	596	852	43.0%
Non-workable inventory	104	93	-10.6%

Service complaints – When taxpayers are not satisfied with the service received from us, they have the right to make a formal complaint.

Service complaints and the taxpayer relief provisions are administered consistently

Performance Rating: Mostly Met

Our administration of service complaints helps us identify service problems and propose solutions while upholding the eight service rights outlined in the Taxpayer Bill of Rights. As part of our service complaints program, we established two internal service standards that reinforce our commitment to service. Meeting these performance standards, combined with the commitments made in our first service complaints annual report, demonstrates our commitment to provide taxpayers with a consistent and effective service complaints process. We aim to send the taxpayer a complaint acknowledgement letter within two business days of receipt of the complaint 90% of the time and, in 2008-2009, we achieved this target 93.8% of the time. Every 15 days thereafter, we are committed to updating the taxpayer on the status of the complaint and the expected time the complaint will be resolved. While our target is 90%, we achieved 86.7%. As a result, we are continuing to revise our procedures to adjust to emerging realities of the program. Overall, we believe we have made substantial progress in managing service complaints, and we will pursue further opportunities for improvement.

Taxpayer relief provisions – Taxpayer relief provisions give us some flexibility and permit us to be more responsive to circumstances where it would be unreasonable or unfair to penalize the taxpayer.

We use a set of quality assurance measures to gauge our administration of the taxpayer relief provisions. Our measures of performance include the quality of the first and second review; the completeness of the taxpayer relief request; the timeliness of the review; the quality of the taxpayer relief decision report; and the quality of communications with the taxpayer. Altogether, there are 29 points examined in the quality assurance program associated with the taxpayer relief provisions, and we achieved our 95% performance target against the aggregate of these measures. Based on these results, we believe that we have met the performance criteria for the taxpayer relief provisions program.

Taxpayer Relief Provisions	2007-2008	2008-2009	Change
Requests processed	54,364	63,483	16.8%
Requests allowed in full or in part	29,583	38,964	31.7%
Value of cancellations and waivers	$314.5M	$646M	105.4%
Number of taxpayer accounts subject to cancellations and/or waivers	341,431	319,583	-6.4%

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers receive an impartial and timely review of contested decisions	2008-2009	Mostly Met	Good
	2007-2008	Mostly Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Appeals activities that met standards for consistency							
Income tax	97%	98.5%	99.5%	99.6%	99.5%	99.0%	✓
Commodity taxes	97%	94.8%	98.0%	97.0%	95.4%	96.2%	☑
CPP/EI	95%	99.4%	99.6%	99.6%	99.4%	99.3%	✓
Appeals activities that met standards for transparency							
Income tax	98%	95.7%	98.1%	99.3%	99.6%	99.5%	✓
Commodity taxes	98%	98.1%	99.4%	98.8%	99.2%	99.5%	✓
Timeliness indicators							
Service standard for initial contact	85%	90%	89%	89%	84%	68%	✗
• **Workable days to complete a case**[1]							
Income tax	Various	130	120	107	141	157	☑
Commodity taxes	Various	173	170	171	169	214	☑
CPP/EI	Various	174	183	203	123	117	✓
• **Average age of workable inventory (in days)**							
Income tax	Neutral or downward trend	162	159	175	177	205	✗
Commodity taxes	Neutral or downward trend	176	175	181	204	243	✗
CPP/EI	Neutral or downward trend	148	178	80	70	103	✗

[1] The overall rating is based on whether or not results were achieved against established targets for the combined workloads.

Expected Result	Year	Performance Rating	Data Quality
Service complaints and the taxpayer relief provisions are administered consistently	2008-2009	Mostly Met	Good
	2007-2008	Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
• Service complaints – acknowledged within 48 hours	90%	N/A	N/A	N/A	N/A	93.8%	✓
• Service complaints – taxpayers contacted within 15 days	90%	N/A	N/A	N/A	N/A	86.7%	☑
• Taxpayer relief provisions – consistent application (per Quality Assurance Program)	90%	N/A	N/A	N/A	N/A	95%	✓

✓ Met	☑ Mostly Met	✗ Not Met
n/a Not Available	N/A Not Applicable	

Benefit Programs

Overview

Over 20 million Canadians are reached by our benefit programs, which contribute directly to their economic and social well-being. We deliver income-based and other benefits, credits, and services to eligible recipients for federal, provincial, and territorial governments. We administer the Canada Child Tax Benefit, the Goods and Services Tax/Harmonized Sales Tax credit, and Children's Special Allowances, which are three core federal programs that issue benefit payments. We also deliver the Universal Child Care Benefit on behalf of Human Resources and Skills Development Canada, the Disability Tax Credit, as well as numerous ongoing and one-time benefit and credit programs and services on behalf of provincial, territorial, and federal government clients.

Our Goal

In 2008-2009, our goal was to strengthen our infrastructure, enhance our self-service options, and improve the levels of telephone service provided. In addition, we sought to further implement our benefits compliance strategy.

Our Outcome

In 2008-2009, our investments in technology contributed to our issuance of on-time, accurate payments. We improved our offering of information available online while increasing telephone accessibility rates, thereby providing benefit recipients with greater access to timely and accurate information. We also maintained the confidence of benefits recipients and client governments by applying elements of our compliance strategy.

Our Challenge

In times of economic difficulty, we realize that benefit recipients may come to rely more heavily on our programs and we are challenged with being able to respond to the increasing needs of these recipients. Therefore, it is crucial that we focus on managing our resources effectively to maintain our high levels of service, while looking for opportunities to reduce the overall administrative cost to governments in Canada.

Our Expected Results:

1. Benefit recipients have access to timely and accurate information.
2. Eligibility determination and payment processing are timely and accurate.

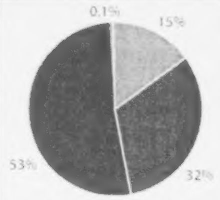
Our Assessments:

1. Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009
$409,059
Actual Spending 2008-2009
$402,656
Variance
$6,403



Total Spending: $403 million

- ▨ Internal Services $61M
- ■ Benefit Programs Administration $129M
- ■ Children's Special Allowance $212M
- ▨ Energy Cost Assistance Measures $0.5M

* Percentages may not add up to 100% due to rounding

In 2008-2009, spending for this program activity totalled $403 million (2,050 FTEs), or 9.6% of the CRA's overall expenditures. Of this $403 million, $342 million were net program expenditures and $61 million was allocated to this program activity for internal services.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Taxpayers receive an impartial and timely review of contested decisions	**2008-2009**	**Mostly Met**	**Good**
	2007-2008	Mostly Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
Appeals activities that met standards for consistency							
Income tax	97%	98.5%	99.5%	99.6%	99.5%	99.0%	✓
Commodity taxes	97%	94.8%	98.0%	97.0%	95.4%	96.2%	☑
CPP/EI	95%	99.4%	99.6%	99.6%	99.4%	99.3%	✓
Appeals activities that met standards for transparency							
Income tax	98%	95.7%	98.1%	99.3%	99.6%	99.5%	✓
Commodity taxes	98%	98.1%	99.4%	98.8%	99.2%	99.5%	✓
Timeliness indicators							
Service standard for initial contact	85%	90%	89%	89%	84%	68%	✕
• **Workable days to complete a case**[1]							
Income tax	Various	130	120	107	141	157	☑
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• **Average age of workable inventory (in days)**							
Income tax	Neutral or downward trend	162	159	175	177	205	✕
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[1] The overall rating is based on whether or not results were achieved against established targets for the combined workloads.

Expected Result	Year	Performance Rating	Data Quality
Service complaints and the taxpayer relief provisions are administered consistently	**2008-2009**	**Mostly Met**	**Good**
	2007-2008	Met	Good

Our Indicators	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
• Service complaints – acknowledged within 48 hours	90%	N/A	N/A	N/A	N/A	93.8%	✓
• Service complaints – taxpayers contacted within 15 days	90%	N/A	N/A	N/A	N/A	86.7%	☑
• Taxpayer relief provisions – consistent application (per Quality Assurance Program)	90%	N/A	N/A	N/A	N/A	95%	✓

✓	Met	☑	Mostly Met	✕	Not Met
n/a	Not Available	N/A	Not Applicable		

Benefit Programs

Overview

Over 20 million Canadians are reached by our benefit programs, which contribute directly to their economic and social well-being. We deliver income-based and other benefits, credits, and services to eligible recipients for federal, provincial, and territorial governments. We administer the Canada Child Tax Benefit, the Goods and Services Tax/Harmonized Sales Tax credit, and Children's Special Allowances, which are three core federal programs that issue benefit payments. We also deliver the Universal Child Care Benefit on behalf of Human Resources and Skills Development Canada, the Disability Tax Credit, as well as numerous ongoing and one-time benefit and credit programs and services on behalf of provincial, territorial, and federal government clients.

Our Goal

In 2008-2009, our goal was to strengthen our infrastructure, enhance our self-service options, and improve the levels of telephone service provided. In addition, we sought to further implement our benefits compliance strategy.

Our Outcome

In 2008-2009, our investments in technology contributed to our issuance of on-time, accurate payments. We improved our offering of information available online while increasing telephone accessibility rates, thereby providing benefit recipients with greater access to timely and accurate information. We also maintained the confidence of benefits recipients and client governments by applying elements of our compliance strategy.

Our Challenge

In times of economic difficulty, we realize that benefit recipients may come to rely more heavily on our programs and we are challenged with being able to respond to the increasing needs of these recipients. Therefore, it is crucial that we focus on managing our resources effectively to maintain our high levels of service, while looking for opportunities to reduce the overall administrative cost to governments in Canada.

Our Expected Results:

1. Benefit recipients have access to timely and accurate information.
2. Eligibility determination and payment processing are timely and accurate.

Our Assessments:

1. Met
2. Met

Spending Profile

(in thousands of dollars)

Total Authorities 2008-2009	$409,059
Actual Spending 2008-2009	$402,656
Variance	$6,403

In 2008-2009, spending for this program activity totalled $403 million (2,050 FTEs), or 9.6% of the CRA's overall expenditures. Of this $403 million, $342 million were net program expenditures and $61 million was allocated to this program activity for internal services.

2008-2009 priorities

Priority: Maintain high levels of service and accountability in core program delivery

Achievement:

- 3.2 million inserts sent to CCTB recipients
- 1.5 million inserts sent to UCCB recipients
- targeted mailout to potential WITB advance payment recipients

Priority: Ensure the ability of our benefit delivery infrastructure to support core business and growth

Achievement: 2008-2009 enhancements:

- Benefits case management system
- Individual Credit Determination system
- Taxfiler Representative Identification System
- Data Governance & Stewardship of all Individual Identification data elements
- Continuity of benefit payments and communication in the event of a system disruption or outage

In support of our overarching theme of achieving excellence in program delivery, we committed to undertake a number of initiatives that focused on strengthening service and addressing non-compliance.

Strengthening service

To strengthen service delivery, we focused on increasing the accessibility and efficiency of our programs and services, as well as enhancing our Internet-based, self-service options to ensure that benefit recipients have timely access to the information they need.

Number of visits	2007-2008	2008-2009	Change
My Account (Benefits)	1,669,969	1,983,395	18.8%

In 2008-2009, as a result of the enhancements to My Account, the number of visits to the Benefits Web pages increased by 18.8%, suggesting that more benefit recipients are using the self-service options on our Web pages.

Our outreach efforts are designed to increase our visibility in the community, to encourage uptake of our programs, and to inform individuals of their entitlements and obligations. We recognize that enrolment levels for many segments of the population, such as persons with disabilities, new residents, and First Nations people, benefit from targeted outreach. In 2008-2009, we believe our outreach activities were well received by our target audiences and contributed to increasing awareness and encouraging voluntary compliance.

Benefits validation

To maintain the confidence of benefit recipients and client governments, we need to ensure that the right benefits are delivered only to the right families and individuals. In order to achieve this, during 2008-2009 we further applied elements of our compliance strategy. For example, we validated marital status, children's care situations, addresses, and income information. The information provided to recipients during validation reviews helps to inform and educate them about their eligibility and entitlement requirements.

Our credible enforcement presence was enhanced by successful efforts in moving cases of misrepresentation towards prosecution.

Expected results

Our expected results are the criteria by which we measure and report the effectiveness of our activities to Canadians. We carry out our Benefit Programs activities to achieve two expected results:

- Benefit recipients have access to timely and accurate information.
- Eligibility determination and payment processing are timely and accurate.

Benefit recipients have access to timely and accurate information

Performance Rating: Met

Benefit telephone enquiries	2007-2008	2008-2009	Change
Agent-answered	3,482,402	3,836,027	10.1%
Automation	2,807,967	3,066,203	9.2%
Total	**6,290,369**	**6,902,230**	**9.7%**

Benefit recipients need to be able to access the information, tools, and assistance we provide in a manner that responds to their needs. Since many Canadians rely on the telephone as their primary method of contact, we invested additional resources designed to strengthen service and increase caller accessibility in 2008-2009. As noted in our Performance Report Card on page 77, our results exceeded our enhanced 90% caller accessibility targets for Canada Child Tax Benefit (CCTB) and GST/HST credit enquiries. In addition, we exceeded our service standard for answering CCTB enquiries in a timely manner (within two minutes of entering the call queue). Our GST/HST credit telephone service was similarly successful.

Priority: Maintain the confidence of benefit recipients and client governments through strengthening validation and controls

Achievement: In 2008-2009, under the National Routing System, we received date of death notifications from five provinces, further enhancing our data accuracy.

We strive to provide accurate telephone service by utilizing various tools and accurately updating reference materials required to work efficiently. In 2008-2009, we enhanced our National Quality and Accuracy Learning Program to help our agents improve the quality and accuracy of the service they provide. Results on call quality and accuracy are used, in part, to identify training needs as well as emerging issues and trends.

We believe that enhancing awareness of our benefit programs and recipients' obligations by providing accurate information to Canadians reduces the need for Canadians to contact us, promotes application for programs, and enhances benefit compliance. For example, we create and direct information packages to reach specific groups to give them a better understanding of our programs, as well as their rights and obligations as recipients.

We surveyed a sample of first-time CCTB applicants in 2008-2009 to obtain feedback on the information that we provided. Results indicated that over 93% of those who responded to the survey were satisfied with the information received, and 94% found the application instructions easy to understand. This was an improvement over the previous year's results of 89% and 91% respectively.

Eligibility determination and payment processing are timely and accurate

Performance Rating: Met

We strive to ensure that accurate payments are received on time by the right individuals. This requires that recipients provide us with valid information and that we process this information correctly and in a timely manner.

The processing of applications, marital status change forms, written enquiries and telephone referrals must be timely so that we can accurately calculate benefit entitlements. In 2008-2009, we successfully met our key timeliness service standard target for responding to written enquiries and telephone referrals. During the year, when we noted that our results for processing benefit applications and marital status change forms were slightly below the target, we took active steps to address the problem by transferring files between tax centres. As a result, our final quality assurance study of the period showed improvement over previous findings.

Not only do applications, marital status change forms, written enquiries, and telephone referrals have to be processed in a timely manner, they must also be processed accurately. Our overall accuracy was 97.6% for processing benefit applications and marital status forms and 97.1% for processing written enquiries and telephone referrals, meeting or mostly meeting our target of 98%. Payment accuracy for these activities was 99.2% and 98.8% respectively.

Timely processing	2007-2008	2008-2009	Change
Number of applications and marital status change forms processed	702,364	735,239	4.7%

We also target accounts identified as high-risk for potential overpayments or underpayments for further verification. In 2008-2009, the results achieved indicate that we used effective criteria for selecting accounts for review and that we ensured benefits were paid only to those who qualify and were in the correct amount.

Although we reviewed fewer accounts in 2008-2009 than in the previous year, our effective targeting identified greater financial consequences. During 2008-2009, our adjustments uncovered $99 million in benefit and credit underpayments and over $260 million in overpayments, an increase from $81 million and $195 million respectively the previous year. When recipients were overpaid, we offset amounts from future payments, refunds, and credits to which they are entitled.

Priority: Maintain high levels of service and accountability in core program delivery

Achievement:
In 2008-2009, our Disability Tax Credit Web page link was added to 41 external web sites; Disability Tax Credit outreach was expanded via mailout to 75 seniors centres and residences in Alberta and Manitoba.

Performance Report Card

Expected Result	Year	Performance Rating	Data Quality
Benefit recipients have access to timely and accurate information	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Percentage of CCTB calls answered within two minutes of entering the queue	75%	79%	76%	75%	78%	78%	✓
Percentage of GST/HST credit calls answered within two minutes of entering the queue	N/A	74%	76%	73%	78%	78%	N/A
Percentage of CCTB callers that reach our telephone service[1]	90%	84%	77%	80%	87%	94%	✓
Percentage of GST/HST credit callers that reach our telephone service	90%	75%	74%	77%	83%	93%	✓

[1] Caller accessibility targets were increased from 80% to 90% for 2008-2009.

Expected Result	Year	Performance Rating	Data Quality
Eligibility determination and payment processing are timely and accurate	**2008-2009**	**Met**	**Good**
	2007-2008	Met	Good

Our Indicators	**Current Target**	**2004-2005**	**2005-2006**	**2006-2007**	**2007-2008**	**2008-2009**	**Rating**
Percentage of benefit applications and marital status change forms processed on time	98%	99.3%	99.4%	99%	99.1%	97.4%	☑
Percentage of benefit recipients expressing satisfaction with the service received	90%	89%	93%	86%	89%	93%	✓
Percentage of CCTB accounts adjusted that were targeted under validation programs	50%	57.2%	62.3%	61.4%	65.6%	58.8%	✓
Percentage of accurate payments when processing benefit applications and marital status change forms	98%	99.8%	99.5%	99.7%	98.9%	99.2%	✓
Percentage of accurate payments when processing account maintenance adjustments	98%	99.5%	99.7%	98.5%	98.4%	98.8%	✓
Percentage of CCTB accounts reviewed	5%	4.88%	5.42%	5.77%	4.49%	4.70%	☑

✓ Met	☑ Mostly Met	✕ Not Met
n/a Not Available	N/A Not Applicable	

The CRA Board of Management

Members' names listed from left to right, bottom to top rows.

Fauzia Lalani, André Gingras, Connie I. Roveto, William V. Baker, Sylvie Tessier, Camille Belliveau, Robert J. (Bob) Healey, Myles Bourke, James R. Nininger, Gordon Gillis, James J. Hewitt, Patricia J. Mella, Rod Malcolm, Raymond Desrochers (missing - Norman Halldorson)

Our Goal

The Board's goal is to ensure that the Canada Revenue Agency (CRA) has a robust strategic framework to support its ongoing success, and that sound monitoring and reporting practices are in place.

Our Outcome

Our collaboration with CRA management in 2008-2009 contributed to maintaining the reputation of the CRA as a leader and innovator in management practices in the Public Service of Canada.

CRA and Board Challenges

Some of the challenges the CRA and the Board closely monitored during 2008-2009 included:

- **Business continuity** - Ensuring business continuity in a rapidly evolving environment requires that the CRA maintain a robust and effective risk management regime.
- **Technological change** - Managing the rapid advancement of technology and increased demands from Canadians for expanded electronic service options, requires a sound Information Technology strategy to manage change while ensuring the sustainability and reliability of CRA's current systems and infrastructure.
- **Demographic trends** - Recognizing the impact of changing workforce demographics, the CRA must have in place proactive and progressive strategies and policies to recruit, develop and retain the workforce it requires to meet its business needs.
- **Service Agenda** - Strengthening service continues to be a key focus of the CRA. Its ability to structure services to the needs and preferences of taxpayers is essential to the integrity of Canada's self-assessment system.

Overview

The *Canada Revenue Agency Act* provides for the establishment of a Board of Management of the CRA consisting of fifteen directors appointed by the Governor in Council. Under the provisions of the *Act*, the Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts. In fulfilling its oversight role, the Board brings a forward-looking, strategic perspective to the CRA's operations, and fosters sound management and service delivery.

The development and ongoing enhancement of the Board of Management Oversight Framework (BoMOF) has helped to ensure that the Board is able to meticulously and effectively monitor CRA's performance. In doing so, the Board has helped the CRA earn recognition as a responsive, effective, and trusted tax and benefit administration.

Information about Board and committee membership is presented in Schedule A.

Priorities and Results for 2008-2009

Listed below are the Board's most significant priorities for 2008-2009, along with its accomplishments. Additional information regarding the CRA's accomplishments in many of these priority areas can be found in the Management Results chapter.

Organization of the CRA / Management Accountability

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To set performance objectives for the Commissioner and monitor his performance against those objectives. Provide input into the performance objectives and assessments of the Chief Financial Officer and the Chief Audit Executive.

The Board firmly believes that setting performance objectives for the Commissioner and evaluating his performance are fundamental elements to fulfilling the Board's mandate.

For the past three years, the Board's Governance Committee has assessed the Commissioner's performance in those areas that fall under the Board's oversight responsibilities. The assessment is based on the performance objectives established by the Board at the beginning of the year, and complements the federal government's performance assessment process for Deputy Heads. The Board firmly believes that setting performance objectives for the Commissioner and evaluating his performance are fundamental elements to fulfilling the Board's mandate.

In 2008-2009, the Board's key objectives for the Commissioner included: to continue to evolve the BoMOF to include management performance measures and results; the introduction of a more rigorous approach to strategic planning; to continue strengthening the CRA's Enterprise Risk Management regime; to further improve its financial management processes; and to build and sustain a highly skilled and dedicated CRA management team.

In March of 2009, the Board assessed the Commissioner's performance and the Chair provided a report of his achievements to the Clerk of the Privy Council for consideration in the overall assessment of the Commissioner's performance for 2008-2009.

The Board also continued to provide input into the performance objectives and assessments of both the CRA's Chief Financial Officer and the CRA's Chief Audit Executive and Director General Program Evaluation.

Administration of the CRA

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To ensure that the CRA follows appropriate processes for sound overall administration, particularly through strategic planning, management oversight, and enterprise risk management.

Strategic Planning

During the period, the Board continued to play an important oversight role in the development of the CRA's long-term strategy, including overseeing the development of its *Corporate Business Plan 2009-2010 to 2011-2012* and individual strategy approval and implementation. To this end, the Board held a strategic planning meeting with CRA senior officials to provide Board insight in the Agency's own strategic planning exercise, and define the Board's role in the development and review of strategy in the CRA. The Board also approved the CRA's Strategy Development Template, crafted at the Board's request to introduce a disciplined approach to the development of strategies that set long-term direction that enable the CRA to fulfil its mission and achieve its objectives.

Board of Management Oversight Framework (BoMOF)

In 2007-2008, the Board and CRA senior management had developed and introduced the Board of Management Oversight Framework (BoMOF) as a complement to the Treasury Board of Canada Secretariat's Management Accountability Framework. Both of these tools ensure that the CRA is effectively meeting its responsibilities in a rigorous and evidence-based way. More specifically, the BoMOF enables the Board to measure and monitor CRA's performance in areas that fall under the Board's purview.

This past year, there were significant improvements to the BoMOF and the tool now includes management measures and results.

For 2008-2009, the Board had asked the Commissioner to evolve the BoMOF to include management performance measures and results to assess the effectiveness of management processes in place. This past year, there were significant improvements to the BoMOF and the tool now includes management measures and results. The Board is proud to report that the assessment of the CRA revealed very positive results for 2008-2009; of the 21 expectations assessed, the CRA was rated strong for 17 expectations and acceptable for four.

Enterprise Risk Management

During the year, the Board continued to monitor the implementation of the CRA's Enterprise Risk Management program with the aim to ensure that CRA risks are mitigated and fully integrated in decision-making processes. The Board's early involvement in the exercise undertaken by the CRA to update its 2007 Corporate

Risk Inventory, and the Board's work to strengthen its own role in overseeing CRA risks, is evidence of its interest in a robust risk management regime.

Management of Resources

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To oversee the CRA's control framework for the management of its resources through major project oversight, and financial controls and spending mechanisms.

Each year, the Board fulfils its fiduciary oversight responsibilities by reviewing and monitoring the CRA's planned allocation of resources, performance and spending, including the approval of the financial statements and major investment projects.

The Board closely monitored the initiatives surrounding the CRA's data centre move.

In 2008-2009, the Board provided oversight on initiatives to strengthen the integrity of the CRA's financial statements, most particularly on the effectiveness of internal controls in place to ensure the reliability of financial reporting. Emphasis placed in this area responds to the more stringent audit and reporting requirements under federal-provincial Tax Collection Agreements, as well as the Treasury Board of Canada Secretariat's new Policy on Financial Management Governance.

Information Technology (IT)

Because information technology is a key enabler of everything the CRA undertakes, it remained an important area of Board oversight. The Board closely monitored the initiatives surrounding the CRA's data centre move and carefully reviewed its IT architecture roadmaps to ensure the long-term sustainability of the CRA's IT systems and architecture.

Management of Services

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To ensure that the CRA has established a sound service strategy and service delivery framework.

In 2008, the Board reviewed and approved the CRA's new Service Strategy.

In 2008, the Board reviewed and approved the CRA's new Service Strategy. The CRA's Service Strategy articulates the CRA-wide approach and direction for the delivery of service to its clients. In the coming years, the Board will oversee the implementation of this Strategy and monitor how it meets its set objectives.

This past year, the Board reviewed the first-ever CRA Service Complaints Annual Report. This function was implemented in May 2007 to strengthen the CRA's ability to identify, resolve, and respond to service-related issues in a more efficient and timely manner. The Board also reviewed the Taxpayers' Ombudsman first Interim Report and, as need arises, will monitor the CRA's response to recommendations formulated by the Taxpayers' Ombudsman.

Management of Personnel

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To ensure that the CRA has a human resources management regime that has an integrated approach to addressing human resources issues.

Integrated Human Resources Planning and Succession Planning

The Board reviewed initiatives undertaken in relation to the integration of the CRA's Human Resources Planning and Business Planning (including the Agency Workforce Plan (AWP) 2008-2009 to 2010-2011) with a view to ensuring the CRA would meet its strategic business objectives over the long term.

The Board continued to stress the importance of succession planning and closely monitored the CRA's progress in the area of succession planning for members of the Executive Cadre. The Board also reviewed and approved the CRA's new Talent Management and Learning policies, and received regular updates on enhancements put in place to improve management development programs.

The Board continued to stress the importance of succession planning and closely monitored the CRA's progress.

Labour Negotiations

The Board closely tracked labour negotiations with the Professional Institute of the Public Service of Canada (PIPSC) and, in order to expedite the negotiations process, authorized its Human Resources Committee to manage the involvement of the Board in the collective bargaining process.

Board Governance

Priority in our *Corporate Business Plan 2008-2009 to 2010-2011*: To continue enhancing governance practices with the aim of becoming a best practices Board.

Throughout 2008-2009, the Board continued to enhance its governance practices with a view to functioning in an even more effective and efficient manner and to successfully oversee and support the CRA's administration and decision-making.

Director Development and Orientation

One key factor in the strengthening of any board's performance is a comprehensive orientation program for new directors. In the CRA context, a comprehensive orientation program is crucial for new Board members to develop their knowledge of the organization and to provide them with an appreciation of the government context in which the CRA operates. In February 2009, a successful orientation session was held for the Board's most recent appointees.

In addition, at the Board's strategic planning meeting in November 2008, speakers were invited to engage members in a discussion on board roles in the development and review of strategy, and to share corporate governance emerging trends and best practices.

Board Secure Online Portal

One recent significant development in enhancing the Board's governance practices has been the move toward providing the Board with a secure online portal to facilitate the way in which the Board conducts its business. For reasons of both efficiency and sustainability, throughout the past year, Board members have explored options for a secure online portal that would facilitate the paperless distribution of Board documentation, as well as secure communication among members and CRA staff and management. The implementation of the Board's portal should be completed by the end of 2009-2010.

The Board is confident that, again this year, it has made significant strides in improving its oversight of the CRA's organization and administration in those areas that fall under its purview.

Conclusion

To conclude, the Board is confident that, again this year, it has made significant strides in improving its oversight of the CRA's organization and administration in those areas that fall under its purview, which has undoubtedly contributed to the CRA's achievements for 2008-2009.

Management Results

Overview

The Canada Revenue Agency (CRA) delivers high-quality tax, benefit, and related services on behalf of governments across Canada. In support of our two strategic themes, our human resources, information technology, and other horizontal management areas must be fully integrated to ensure that our tax and benefit services have the guidance, infrastructure, and resources needed for successful delivery.

Our Goal

As in past years, our goal in 2008-2009 was to ensure that tax and benefit services had the guidance, infrastructure, and resources needed for successful delivery.

Our Outcome

In 2008-2009, we delivered on our management priorities through timely and responsive decision-making, a fully accountable senior management culture, streamlined management policies, and improved planning and reporting.

Our Challenge

Given the inherent complexities associated with supporting an organization as large as the CRA, our primary challenge is to optimize the allocation of all available resources. It is important that our delivery of internal services at all levels is properly aligned and integrated so that we can provide the most efficient and cost-effective support across the CRA and, in doing so, ensure our overall business sustainability going forward.

> **"CRA employees do what it takes every single day, and I am heartily impressed with their performance. Canadian taxpayers are equally impressed."**
>
> Jean-Pierre Blackburn
> Minister of National Revenue

> **"The full potential of the CRA's commitment to excellence in program delivery can be realized only within a workplace culture that is committed to excellence."**
>
> William V. Baker

Management oversight

As an agency, we employ a unique hybrid reporting structure. We are accountable to Parliament through our minister for administration and enforcement of legislation, but also to a Board of Management that is responsible for overseeing the organization and management of our resources, services, and personnel.

> **"We have a lot going for us at the CRA: an innovative, flexible corporate structure and human resources regime, a commitment to excellence in program delivery, and a collaborative, positive workplace."**
>
> William V. Baker

To ensure that we are effectively meeting our responsibilities for complete and total accountability, we use two complementary tools: the Management Accountability Framework (MAF) assessment conducted by the Treasury Board of Canada Secretariat (TBS) and the Board of Management Oversight Framework (BoMOF) assessment conducted by our own Board of Management. Having two separate assessments facilitates a rigorous and evidence-based method of demonstrating the Board's oversight of CRA management in areas that are not assessed by the TBS framework.

Our 2008-2009 MAF assessment was very positive. Since last year's assessment, we have improved our ratings in four areas of management. However, our rating has declined in one area of management due to continued concerns related to certain aspects of access to information and privacy, which we are committed to addressing.

In 2008-2009, the Board undertook its second BoMOF assessment and the results were positive. The Board and CRA management will continue to evolve the BoMOF to be more robust, transparent, and quantifiable.

Summary of MAF and BoMOF Assessment Ratings-CRA Results

Two-year Comparison by Assessment Ratings				
Assessment Rating	**MAF 2007-2008**	**BoMOF 2007-2008**	**MAF 2008-2009**	**BoMOF 2008-2009**
Strong	3	15	7	17
Acceptable	8	4	3	4
Opportunity for Improvement	0	0	1	0
Attention Required	0	0	0	0
Total Areas of Management/ Expectations Assessed	11	19	11	21

The positive results of these assessments provide Canadians with assurance that the CRA recognizes the importance of sound agency management and is actively engaged in pursuing management excellence. A full report card against the MAF and the BoMOF assessments can be found at the end of this section.

> **"[The CRA's] Corporate Business Plan is well aligned to corporate priorities."**
>
> TBS MAF Assessment 2008-2009

2008-2009 priority initiatives

Further strengthening our management infrastructure remains a key priority in support of the delivery of our programs. We are widely recognized as a highly efficient and robust organization that is entrusted to administer many critical tax and income redistribution policies. This requires that our resource base be applied optimally, aligning investments with the strategic direction and priorities of the organization. The following are key areas of management where we are making significant strategic enhancements.

Advancing horizontal management

Working collaboratively across organizational boundaries toward a common purpose of achieving excellence in tax and benefit administration is vital to our success. All strategic initiatives are led by senior levels of CRA management who ensure appropriate horizontal participation and are accountable for the commitments made. Detailed work plans for all initiatives were developed and analysed through corporate committees, allowing for discussion on interdependencies across initiatives as well as consensus on the expected outcomes.

This past year, in accordance with our Board of Management's direction, we implemented a more robust framework for strategy formulation, which was used to develop our first enterprise-level strategy, the CRA Service Strategy – Achieving Excellence Through Service. Approved by the Board in December 2008, this strategy is now the model for horizontal strategy development in our organization.

"The key to effective human resources planning in departments and agencies is integration with overall business planning."

Kevin G. Lynch
Clerk of the Privy Council
and Secretary to the
Cabinet

Human resources capacity and capability

Effective people management was a key leadership priority at the CRA during 2008-2009. This past fiscal year, we developed and published our Agency Workforce Plan 2009-2010 to 2011-2012 (AWP), a second instalment of our integrated human resources and business planning document. The AWP is a key element of our planning strategy and has three distinct themes:

1. Knowledge transfer and succession planning
2. Management of employees' careers and development and change management
3. Strategic recruitment and reduced time to staff

We are better able to align operational and human resource requirements to ensure that the right talent is available and able to contribute to business objectives.

1. Knowledge transfer and succession planning

Workforce planning is paramount in managing current operational requirements while preparing for future business needs. In addition to our EC succession planning activities, in March 2009 we further strengthened our human resources planning capacity by implementing the Non-EC Succession Planning Guidelines. These guidelines are aligned with our Competency-Based Human Resources Management (CBHRM) approach and reinforce the importance of succession planning activities in support of future business requirements.

2. Management of employees' careers and development and change management

The CRA has a strong performance management program that enables managers to optimize the performance and development of their employees by ensuring that individual and team objectives are aligned with our strategic outcomes. In 2008-2009, we completed our annual review of both the employee and manager performance management cycles to ensure consistency, quality, and fairness throughout the process. The results of the review showed increased integration of competencies into performance management which reinforces our CBHRM approach and contributes to talent management, both drivers of organizational success.

Establishing individual learning plans (ILPs) is an integral part of ensuring that employee learning needs are identified and supported. Through career discussions with their managers, employees identify learning needs related to current work and future career objectives. In 2008-2009, 94.5% had completed ILPs, exceeding our target of 90%.

We remain committed to continuous learning in order to maintain a highly skilled, capable workforce and to promote excellence in the workplace. In 2008-2009, our total investment spent on learning was approximately $170 million, investing an average of 11 days of training per employee and 10 days per manager.

Priority:
Enhance employee performance

Achievement:
In 2008-2009:

- 75% of employees had performance assessments of which 93% met or exceeded their expectations
- 75% of managers had performance assessments of which 96% met or exceeded their performance expectations

3. Strategic recruitment and reduced time to staff

Post-Secondary Recruitment	2008-2009	Target
Post-secondary graduates appointed to permanent positions	361	300
Percentage of post-secondary graduates appointed to permanent positions, self-identified as visible minorities	25%	20%

Attracting, developing, and retaining talent has remained a key priority. As such, important and fundamental steps towards advancing our CBHRM regime were taken in 2008-2009, including the continued use of mandatory pre-qualified processes (PQPs) and the launch of the Migration to End-State PQPs project. This initiative supports the recommendations outlined by the Office of the Auditor General of Canada as a result of the audit conducted in 2007-2008 on the CRA's use of new human resources authorities and contributes to the evolution of more effective staffing and timely acquisition of talent.

> **"A comprehensive information technology plan is in place and it aligns with the government-wide directions for information technology and with departmental business needs."**
>
> TBS MAF Assessment 2008-2009

Information technology responsiveness and sustainability

Considerable information technology (IT) assets and delivery capacity are under the stewardship of the CRA. The availability, recoverability, and security of our automated systems is critical to the delivery of our tax and benefit programs. Our technical environment grows increasingly complex each year and particular measures are required to identify and mitigate heightened security threats and to provide corresponding safeguards. In 2008-2009, we sustained our focus on ensuring our IT solutions were robust, secure, and reliable.

During the year, we maintained high levels of availability of our multiple national systems, while concurrently meeting the challenges faced in safeguarding our IT assets from accidental or deliberate security threats. In addition, we replaced six existing mainframe computers with four new ones that allow for the rapid expansion of computing capacity to meet our needs.

Among our key IT objectives is the ongoing development of effective technological solutions that support our core business priorities. In 2008-2009 we employed Business Rules Engine technology in our Integrated Revenue Collections (IRC) project to make the applications more flexible and allow for faster modifications at a later date.

Given that we have a very large Internet presence and we manage vast amounts of confidential taxpayer and benefit recipient data, we must strive to meet the highest standards in protecting this data. Over the past year, we further advanced our vulnerability assessment and management capabilities through improved reporting on the health of the security of our entire networked computing infrastructure. Notably, we reached a key milestone in 2008-2009 with our Network Services Enhancement Project by finalizing the technical requirement for updated switching technology. Enhancements such as these, coupled with implementation of our multi-year Managed Distributed Environment Program, addressed shortcomings in our computing environment.

In October 2008, we received two silver Government Technology Exhibition and Conference awards for our information technology achievements. Our IT strategy focuses on our commitment to sustain and improve our performance through the strengthening of our IT investments and implementation of risk management best practices.

Priority: Implement a sound IT strategy and investment plan

Achievement: In May 2008, the Board of Management approved the 2008-09 to 2010-11 IT Strategy. The strategy includes information on IT initiatives that support our strategic goals and objectives.

Maintaining trust

We maintain high standards in the protection of employees, information, facilities, and systems through compliance and monitoring reviews that ensure an adequate policy framework and continue to improve and implement strategies to protect taxpayer information.

Enterprise risk management

Our approach to enterprise risk management has been designed to ensure that we develop and implement a systematic and comprehensive approach to manage risks. Based on our 2007 Corporate Risk Inventory, we developed our Risk Action Plan. Our complete plan, which includes response strategies and encompasses all 17 identified risks, was finalized and approved by our Board of Management in September 2008.

In March 2009, we also finalized our risk management learning strategy. The objectives of this strategy are twofold: to build our risk management capacity

Priority: Improve the integrity of financial systems and processes

Achievements: During 2008-2009, we implemented the Continuous Controls Monitoring pilot to support our confidence in the accuracy of our data and transactions.

and to ensure that our employees have access to the knowledge and tools they need to fulfil their responsibilities related to risk management. These achievements have helped us better identify and mitigate risks to our business, as well as to maintain services to, and protect the interests of, the Canadian public.

> **"CRA should be commended for its work to fully integrate the consideration of risk into business planning activities."**
>
> TBS MAF Assessment 2008-2009

Sound comptrollership

The results we have achieved in support of sound comptrollership strengthen accountability and oversight and promote the efficient and effective use of our financial resources. In 2008-2009, we made improvements to our financial systems and processes and improved the linkages between our resources and the results we achieved.

On April 1, 2009, two new Treasury Board policies came into effect: the Policy on Financial Management Governance and the Policy on Internal Control. In response to these policies, we drafted our financial management framework, our Policy on Financial Management Governance, and the Policy on Internal Control which stipulates the requirement for Chief Financial Officer certification. We also implemented another phase of our Financial Monitoring Framework (FMF) for Administered Activities in 2008-2009 related to non-resident withholding taxes. The objective of the FMF is to have a consistent and reliable framework to assess and minimize incomplete or inaccurate accounting and reporting of financial results through the timely monitoring of key risk indicators

In 2008-2009, we developed a comprehensive description of our internal controls over financial reporting to the provinces and territories on the corporation income tax program, to provide provincial and territorial governments with assurance regarding the accuracy and completeness of the financial information we provide under the Tax Collection Agreements. The Office of the Auditor General of Canada audited the description to determine fairness and accuracy, and the results of this audit will be shared with provincial and territorial governments, including management's action plans to strengthen controls where needed.

Priority: Refine corporate oversight and monitoring

Achievement: In 2008-2009, we enhanced our project approval and oversight framework for all major investments including:

- increased rigour for project cost estimates and the measurement of benefits; and
- additional review points to recommend continuation or termination of major investments.

Conclusion

During the past year, we delivered on our management priorities through our strong performance, timely and responsive decision-making, improved planning and reporting, and a fully accountable senior management culture. We believe that, based on our achievements this past year and the steps taken to strengthen our management infrastructure, we have supported our strategic outcomes for both the administration of Canada's tax laws and the delivery of benefits.

Board of Management Oversight Framework—Our Results

Board of Management Oversight Framework assessment of performance 2008-2009

Two-year comparison by Area of Oversight and Expectation Ratings by Area of Oversight and Expectation	2007-2008	2008-2009	Trend
Organization of the Agency			
Internal Accountability Structure	ST	ST	=
Administration of the Agency			
Enterprise Risk Management	AC	ST	↗
Program Evaluation	AC	AC	=
Internal Audit Administration	ST	ST	=
Sustainable Development	ST	ST	=
Management of Resources			
Financial Management	N/A[1]	ST	×
Project Management	ST	AC	↘
Asset Management	ST	ST	=
Procurement Management	ST	ST	=
Information Technology Management	ST	ST	=
Management of Services			
Service Strategy	AC	AC	=
Performance Targets	ST	AC	↘
Service Performance Measurement	N/A[1]	ST	×
Service Redress Mechanism	AC	ST	↗
Taxpayer and Benefit Recipient Satisfaction Measurement	ST	ST	=
Management of Personnel			
Effective Employee Performance Management	ST	ST	=
Recruit and Retain the Right Talent	ST	ST	=
CRA Values & Ethics	ST	ST	=
Learning	ST	ST	=
Respect Collective Agreement	ST	ST	=
Adheres to Applicable Legislation	ST	ST	=

[1] This expectation was not part of the 2007-2008 BoMOF assessment.

ST	Strong	AC	Acceptable	OI	Opportunity for Improvement	AR	Attention Required
↗	Upward Trend	=	No Change	↘	Downward Trend	×	Unable to Compare

Management Accountability Framework—CRA Results

Two-year comparison by Area of Management

Ratings by Areas of Management	2007-2008	2008-2009	Trend
Corporate Performance Framework	AC	ST	↗
Corporate Management Structure	AC	ST	↗
Extra Organizational Contribution	ST	ST	=
Quality of Analysis	AC	AC	=
Reporting to Parliament	AC	ST	↗
Risk Management	AC	ST	↗
Information Management	AC	OI	↘
Information Technology Management	ST	ST	=
Financial Management and Control	AC	AC	=
Security and Business Continuity	ST	ST	=
Citizen-focused Service	AC	AC	=

ST	Strong	AC	Acceptable	OI	Opportunity for Improvement	AR	Attention Required
↗	Upward Trend	=	No Change	↘	Downward Trend	×	Unable to Compare

Service Standards at the CRA – Overall Results

About external service standards

Our service standards regime is a vital and integral part of our planning, reporting, and performance management processes. Meeting our service standards demonstrates that we are responsive to the needs of taxpayers and benefit recipients. This helps establish credibility in our operations and contributes to increasing the level of confidence that Canadians can place in government.

Over the years, the number of our service standards has increased, from 31 in 1999-2000 to 47 in 2008-2009. Since a review of our service standards had not been undertaken for more than 10 years, we decided to conduct a global review of service standards at the CRA. The purpose of the review was to determine whether we are communicating, monitoring, and reporting on the right services, with the right targets, in a way that is meaningful to, and effective for, stakeholders. The review is ongoing, with the final results to be available in 2009-2010.

External service standards publicly state the level of performance that citizens can reasonably expect to encounter from the CRA under normal circumstances.

How we set targets

We set targets for our service standards that represent the percentage or degree of expected attainment of an established standard. Targets are based on operational realities, historical performance, complexity of the work, and Canadians' expectations. Our standards and targets are reviewed annually and, where necessary, updated.

Taking into consideration historical performance and the expectations of those who use our services, we set standards that are:

- challenging yet attainable with effort; and
- affordable, and meaningful to service users.

Successes and challenges

One of the purposes of having published service standards is to provide us with performance information so we can make the necessary changes to improve our results. Over the past year, we have experienced many successes and faced several challenges in meeting these standards. The following are key examples of our successes and challenges.

As noted earlier in this report, during 2008-2009, we received and processed more than 27.1 million individual tax returns, which was an increase of more than 8% over the prior year. Despite this increase, we again met all of our individual income tax processing service standards, including processing electronic individual income tax returns in an average of 11 days. We place a great deal of emphasis on achieving these service standards because they are critical to maintaining Canadians' confidence in our organization as a responsive and trusted service provider.

During the past number of years, we have consistently met our service standards for Video and Film Tax Credits – Refundable Claims despite many challenges, including a significant increase in the volume of claims we have received. Our continued success in meeting our targets for these standards is directly attributable to the efforts and expertise of our Film Services agents. These results also reflect the degree to which the many repeat film tax claimants are familiar with their obligations and motivated to help us achieve short turnaround times. In this way, we support Canadian businesses, thereby fostering voluntary compliance with Canada's tax laws.

Although we met certain service standards related to registered plans, we once again experienced challenges with others during 2008-2009. We have worked hard to identify solutions that will result in performance improvements. For example, with respect to services for clients of Deferred Income Plans and Actuarial Valuation Reports, we are addressing these shortcomings by engaging in enhanced outreach and the provision of improved information. Much work remains, however, in addressing all of the issues related to our service standards related to registered plans. It is important that we improve our performance for this sector, which manages over one trillion dollars in sheltered income for Canadians.

"Understanding what service users want and expect is integral to the ability of service providers to find ways of meeting these expectations and thereby satisfy their users' needs."

Citizen's First 5

We also experienced a decline in performance this past year in our service standard for processing a request to authorize or cancel a representative. This was largely due to the introduction of the Represent a client service, which enabled representatives to view benefit recipients' personal information and make changes online. Since many benefit recipients prefer to have a representative handle their affairs, we are currently in the process of implementing improvements so that we can again meet our targets in 2009-2010.

As we discussed in the section entitled Taxpayer and Business Assistance on page 39, our results declined slightly this past year for both our service standards related to the provision of technical income tax interpretations and for issuing advance income tax rulings. The decline in performance over last year was principally the result of increased file complexity and the ongoing challenges of retaining experienced staff for these specialized workloads. It is important for us to resolve these performance shortfalls because ongoing weak performance in these areas could jeopardize our ability to foster voluntary compliance with Canada's tax legislation. For this reason, we have developed a comprehensive approach to studying what has led to the deteriorating performance result. We expect the study and related analysis to be completed by the end of 2009-2010.

Lastly, we experienced a significant decline in performance in our key Appeals service standard—acknowledgement of a dispute within 30 days of receipt. During 2008-2009, we experienced a 17 percentage point decline in our performance compared to 2007-2008, achieving a result of 68% against our performance target of 85%. This service standard fosters trust in our redress regime, so it is important that we take steps to address this performance shortfall. Consequently, we have completed a review of our intake centres and are implementing several recommendations to improve the efficiency and effectiveness of our screening activities, including a temporary reallocation of resources during peak periods of dispute intake.

New service standards

In 2008-2009, we introduced two new standards in the Benefit Programs area for the accurate processing of requests to authorize or cancel a representative, with a target of 98%.

Adjustments

There were a number of changes to the CRA's existing slate of service standards in 2008-2009. These are included in the table below:

Service standard	Adjustment
Problem Resolution Program (PRP)	We adjusted the targets from 100% to 95%. After several years of monitoring and reporting, it was determined that this would be a more realistic yet challenging target.
Charities telephone service	This was modified to be more consistent with other telephone services.
Corporation income tax returns	The processing targets were combined and the standard improved (historical results are therefore not available for this standard).
Validation and control	The standard changed from 60 days to 45 days. The Benefit Programs area, in consultation with the tax centres, concluded that 45 days would be attainable.
Statements of interim payments (SIPS)	GST/HST SIPS have been added to the count of the standard for providing statements of interim payments to corporations on a monthly basis.
Processing GST/HST returns	The CRA changed the service standard for processing GST/HST returns from 21 days to 30 days. This change aligned the service standard with the legislative change that took effect on April 1, 2007, whereby the CRA now pays interest on refunds after 30 days.
GST/HST Rulings and Interpretations written enquiries	The target was raised from 75% to 80% based on past performance.

Deletion

The GST/HST Visitor Rebate Program ended effective April 1, 2007 thus eliminating the need for a service standard.

> **"The CRA is committed to developing, monitoring, and reporting on a full suite of service standards in areas of importance to taxpayers and benefit recipients."**
>
> William V. Baker

Performance Rating Legend

✓ Met or exceeded target ☑ Target mostly met (at least 95% of target) ✗ Target not met New or modified service standard

n/a	Not Available	N/A	Not Applicable

NOTE: Where service standards are expressed in terms of a number of days, they refer to calendar days, unless otherwise specified.

Taxpayer and Business Assistance

	Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
1.	General enquiries – Telephone	Respond to calls in queue within 2 minutes	80%	81%	80%	82%	83%	82%	✓
2.	Business enquiries – Telephone	Respond to calls in queue within 2 minutes	80%	81%	85%	81%	82%	87%	✓
3.	Charities – Respond to telephone enquiries	Respond to calls in queue within 2 minutes	80%	N/A	N/A	N/A	86%	87%	✓
4.	Advance income tax rulings to taxpayers	Within an average of 60 days	100%	62 days	84 days	94 days	101days	104 days	✗
5.	Technical interpretations to taxpayers	Within an average of 90 days	100%	75 days	87 days	105 days	89 days	91 days	☑
6.	GST/HST Rulings and Interpretations – Written enquiries	Within 45 working days of receipt of request	80%[1]	N/A	N/A	87%	89%	93%	✓
7.	Applications to register pension plans	Complete review in 180 days	85%	89%	96%	97%	94%	92%	✓
8.	Amendments to registered pension plans	9 months	80%	84%	89%	82%	77%	71%	✗
9.	Termination of registered pension plans	1 year	85%	88%	90%	88%	82%	80%	✗
10.	Retirement savings plans (applications to register, amend, or terminate)	Within 60 days	80%	97%	84%	85%	85%	87%	✓
11.	Retirement income funds (applications to register, amend, or terminate)	Within 60 days	80%	95%	84%	91%	91%	94%	✓
12.	Education savings plans (applications to register, amend, or terminate)	60 days	85%	93%	88%	85%	71%	93%	✓
13.	Actuarial valuation reports	9 months	80%	81%	80%	36%	56%	63%	✗
14.	Deferred income plans – Response to written enquiries	Within 60 days	80%	69%	75%	60%	38%	65%	✗
15.	Deferred profit-sharing plans	Registration in 180 days	80%	85%	79%	99%	97%	100%	✓
16.	Deferred profit-sharing plans	Amendments and terminations within 270 days	80%	82%	68%	89%	87%	88%	✓

[1] Target was raised from 75% to 80% this year.

Assessment of Returns and Payment Processing

Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
17. Responding to taxpayer-requested adjustments (T1)	8 weeks (average)	100%	6 weeks	6 weeks	7 weeks	7 weeks	7 weeks[2]	✓
18. Responding to taxpayer-requested adjustments (T1) received via the Internet	2 weeks (average)	100%	N/A	N/A	N/A	2 weeks	2 weeks[2]	✓
19. Providing statements of interim payments (SIPS) to T2 corporate income tax/GST/HST clients on a monthly basis[1]	Mailed by the 18th of the month	95%	49%	99%	100%	80%	94%	☑
20. Processing T1 individual income tax returns (paper)	4-6 weeks (average)	100%	3.6 weeks	3.6 weeks	3.9 weeks	4.1 weeks	4.0 weeks[2]	✓
21. Processing T1 individual income tax returns (electronic)	2 weeks (average)	100%	1.9 weeks	1.9 weeks	1.6 weeks	1.7 weeks	1.6 weeks[2]	✓
22. Processing T3 trust returns	Within 4 months	95%	97%	96%	96%	98%	97%	✓
23. Processing excise tax, excise duty, and air travellers security charge returns	Within 90 days	95%	N/A	N/A	98%	98%	99%	✓
24. Processing GST/HST returns	Within 21 days Within 30 days[3]	95%	97%	98%	98%	n/a	 97%	✓
25. Processing T2 corporation income tax returns	Within 60 days	90%	N/A	N/A	N/A	92%	91%	✓

[1] GST/HST has been added to the count for this service standard.

[2] Represents the average number of weeks

[3] The standard was changed from 21 days to 30 days to align with legislative change.

Accounts Receivable and Returns Compliance

Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
26. Processing fairness requests related to accounts receivable and trust accounts programs	4-6 weeks	90%	90%	90%	n/a[1]	n/a[1]	n/a[1]	

[1] Reliable data not available

Reporting Compliance

Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
27. Processing non-resident Regulation 105 waiver requests	30 days	85%	N/A	N/A	N/A	83%	92%	✓
28. SR&ED refundable claims	120 days	90%	93%	92%	96%	96%	96%	✓
29. SR&ED non-refundable claims	365 days	90%	94%	95%	96%	97%	97%	✓
30. SR&ED claimant-requested adjustments to refundable claims	240 days	90%	95%	94%	97%	97%	97%	✓
31. SR&ED claimant-requested adjustments to non-refundable claims	365 days	90%	94%	94%	93%	95%	95%	✓
32. Video and film tax credits – Refundable claims (unaudited)	60 days	90%	94%	90%	97%	97%	96%	✓
33. Video and film tax credits – Refundable claims (audited)	120 days	90%	95%	92%	96%	96%	96%	✓

Appeals

	Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
34.	Initial contact letter for disputes	30 days	85%	90%	89%	89%	84%	68%	✗
35.	Problem Resolution Program	Acknowledged within 2 working days	95%[1]	98%	98%	97%	95%	96%	✓
36.	Problem Resolution Program	Resolution/client contact within 15 working days	95%	97%	97%	97%	95%	96%	✓

[1] Target revised from 100% to 95% per Corporate Business Plan

Benefit Programs

	Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
37.	Canada Child Tax Benefit – Telephone enquiries	Respond to calls in queue within 2 minutes	75%	N/A	N/A	N/A	78%	78%	✓
38.	Processing benefit applications and marital status change forms – Timeliness	Issue a payment, notice, or explanation within 80 days	98%	99%	99%	99%	99%	97%	☑
39.	Processing benefit applications and marital status change forms – Accuracy	Accurately process information and, if necessary, issue a payment, notice, or letter	98%	N/A	N/A	N/A	98%	98%	✓
40.	Responding to benefit and credit enquiries – Timeliness	Issue a payment, notice, or explanation within 80 days	98%	99%	97%	98%	99%	98%	✓
41.	Responding to benefit and credit enquiries – Accuracy	Respond to recipient written enquiries and telephone referrals from the call centres with the correct information, and process new recipient information including issuing a payment, notice, or letter accurately	98%	N/A	N/A	N/A	97%	97%	☑
42.	Validation and control – Results of review	60 days 45 days[1]	90%	98%	94%	n/a	99%	97%	✓
43.	Process a request to authorize or cancel a representative	Within 20 days of receipt during peak period	90%	n/a	96%	77%	91%	76%	✗
44.	Process a request to authorize or cancel a representative- Accuracy (peak)	Accurately process the request, and if necessary, send a letter requesting additional information	98%					99%	✓
45.	Process a request to authorize or cancel a representative	Within 5 days of receipt during non-peak periods	90%	50%	71%	33%	75%	72%	✗
46.	Process a request to authorize or cancel a representative- Accuracy (non-peak)	Accurately process the request, and if necessary, send a letter requesting additional information	98%					98%	✓

[1] Standard shortened from 60 days to 45 days

Corporate Services

Service	Service standard	Current Target	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	Rating
47. Client or taxpayer requests for statistical tax data	Respond to client or taxpayer requests for statistical data within an average of 30 days	100%	N/A	28 days	28 days	29 days	28 days	✓

The following table provides an update on service standards under development.

Service Standards Under Development in 2009-2010

Program Activity	Service Standard	Proposed Target
Taxpayer and Business Assistance	Review and respond to applications for charitable registration upon receipt of a complete application, within established standards	80%
	GST/HST Rulings and Interpretations, telephone enquiries – Respond to calls in the queue within two minutes	80%
	Request for eligible contributions within 270 days. This standard would rename actuarial validation reports and raise the target.	80%
	International and non-resident general enquiries – Telephone service level – Respond to calls in the queue within two minutes	80%
Appeals	Processing disputes	tbd

Schedules

Schedule A – The CRA Governance Structure

Board Membership

The Board of Management of the Canada Revenue Agency (CRA) comprises 15 members appointed by the Governor in Council. They include the Chair, the Commissioner and Chief Executive Officer, a director nominated by each province, one director nominated by the territories, and two directors nominated by the federal government. Members of the Board bring a private sector perspective and business approach to management and, in this regard, have been championing a significant agenda for change within the CRA.

The following list shows the Board membership as of March 31, 2009.

Sylvie Tessier,
P.Eng, MBA, ICD.D
Chair, Board of Management
Toronto, Ontario

Camille Belliveau, CFP, FCGA
Executive Director
Groupe EPR Canada Group Inc.
Shediac, New Brunswick

Myles Bourke, B. Comm., FCA
Corporate Director
Chartered Accountant
Lethbridge, Alberta

Raymond Desrochers,
B. Comm., CA, CFE
Partner
BDO Dunwoody LLP
Chartered Accountants
Winnipeg, Manitoba

Gordon Gillis, B.A., LL.B.
Corporate Director
Pictou County, Nova Scotia

André Gingras
Founder and Director
André Gingras et Associés inc.
Montréal, Quebec

Norman G. Halldorson, B.Comm., FCA
Corporate Director
Clavet, Saskatchewan

Robert J. (Bob) Healey,
B. Comm., CFP, FCA
Corporate Director
Chartered Accountant/
Management Consultant
St. John's, Newfoundland and Labrador

James J. Hewitt, FCMA
Corporate Director
Penticton, British Columbia

Fauzia Lalani, P.Eng.
Executive Consultant
Calgary, Alberta

Rod Malcolm, CA
Corporate Director
Iqaluit, Nunavut

Patricia J. Mella, B.A., B.Ed., M.A.
Corporate Director
Stratford, Prince Edward Island

James R. Nininger,
B. Comm., M.B.A., Ph.D.
Corporate Director
Ottawa, Ontario

William V. Baker, B.A., M.A., ICD.D
Commissioner and
Chief Executive Officer
Canada Revenue Agency
Ottawa, Ontario

Committee Membership and Director Participation

The Board of Management is supported by four committees that undertake much of the detailed review of items brought before the Board for consideration. In December 2008, the Board designated responsibility to review and approve, each year, the Board of Management Oversight Framework (BoMOF) and the BoMOF performance assessment of the Agency, to a new sub-committee.

The following table shows the membership of each committee over the course of the fiscal year, as well as each director's participation rates:

Board Members	Board of Management[1] (11)	Audit Committee (6)	Resources Committee (4)	Human Resources Committee (6)	Governance Committee (4)	BoMOF Sub-committee (1)	Total
William Baker	11/11		4/4	6/6[2]	4/4	1/1	26/26
Camille Belliveau	11/11		4/4		3/3[3]		18/18
Myles Bourke	11/11	6/6				1/1	18/18
Raymond Desrochers	11/11	6/6					17/17
Gordon Gillis	10/11			6/6[2]			16/17
André Gingras	10/11		4/4				14/15
Norman Halldorson	8/9[3]	1/1					9/10
Robert Healey	11/11	6/6					17/17
Jim Hewitt	10/11	5/5[3]	1/1[3]		4/4		16/17
Fauzia Lalani	8/10[3]		2/2[3]				10/12
Howard Leeson	1/2[4]				1/1[4]		2/3
Rod Malcolm	9/11		3/4				12/15
Patricia Mella	11/11			4/4		1/1	16/16
Jim Nininger	10/11			5/5[2]	4/4	1/1	20/21
Connie Roveto	11/11	6/6	4/4	6/6[2]	4/4	1/1	32/32
Stephen Rudin	1/1[4]						1/1
Sylvie Tessier	11/11		4/4			1/1	16/16
Total	**155/165**	**30/30**	**26/27**	**27/27**	**16/16**	**7/7**	**260/271**
Average Attendance Per Meeting	**94%**	**100%**	**96%**	**100%**	**100%**	**100%**	**96%**

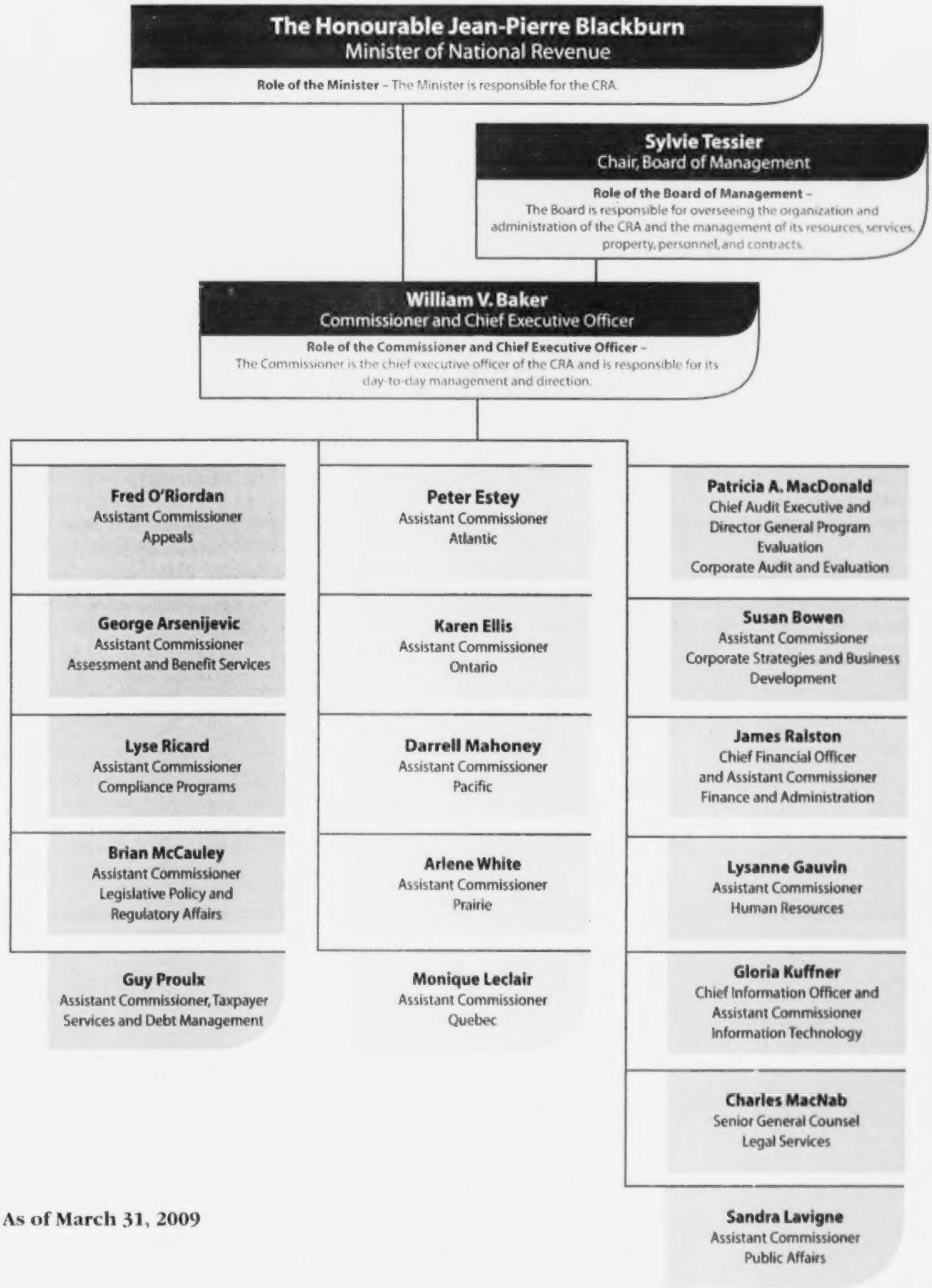
[1] Board of Management column includes all meetings and tele/video conferences, as well as the annual strategic planning meeting.

[2] Two of six were teleconferences of the Human Resources delegated sub-committee to discuss negotiating mandate.

[3] Members appointed to the Board or the committee during the fiscal year.

[4] Member left the Board during the fiscal year.

Organizational Structure



The Honourable Jean-Pierre Blackburn
Minister of National Revenue

Role of the Minister – The Minister is responsible for the CRA.

Sylvie Tessier
Chair, Board of Management

Role of the Board of Management –
The Board is responsible for overseeing the organization and administration of the CRA and the management of its resources, services, property, personnel, and contracts.

William V. Baker
Commissioner and Chief Executive Officer

Role of the Commissioner and Chief Executive Officer –
The Commissioner is the chief executive officer of the CRA and is responsible for its day-to-day management and direction.

Fred O'Riordan
Assistant Commissioner
Appeals

George Arsenijevic
Assistant Commissioner
Assessment and Benefit Services

Lyse Ricard
Assistant Commissioner
Compliance Programs

Brian McCauley
Assistant Commissioner
Legislative Policy and
Regulatory Affairs

Guy Proulx
Assistant Commissioner, Taxpayer
Services and Debt Management

Peter Estey
Assistant Commissioner
Atlantic

Karen Ellis
Assistant Commissioner
Ontario

Darrell Mahoney
Assistant Commissioner
Pacific

Arlene White
Assistant Commissioner
Prairie

Monique Leclair
Assistant Commissioner
Quebec

Patricia A. MacDonald
Chief Audit Executive and
Director General Program
Evaluation
Corporate Audit and Evaluation

Susan Bowen
Assistant Commissioner
Corporate Strategies and Business
Development

James Ralston
Chief Financial Officer
and Assistant Commissioner
Finance and Administration

Lysanne Gauvin
Assistant Commissioner
Human Resources

Gloria Kuffner
Chief Information Officer and
Assistant Commissioner
Information Technology

Charles MacNab
Senior General Counsel
Legal Services

Sandra Lavigne
Assistant Commissioner
Public Affairs

As of March 31, 2009

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[1] Board of Management column includes all meetings and tele/video conferences, as well as the annual strategic planning meeting.

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[3] Members appointed to the Board or the committee during the fiscal year.

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Organizational Structure

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Minister of National Revenue

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Commissioner and Chief Executive Officer

Role of the Commissioner and Chief Executive Officer
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Assistant Commissioner
Appeals

George Arsenijevic
Assistant Commissioner
Assessment and Benefit Services

Lyse Ricard
Assistant Commissioner
Compliance Programs

Brian McCauley
Assistant Commissioner
Legislative Policy and Regulatory Affairs

Guy Proulx
Assistant Commissioner, Taxpayer Services and Debt Management

Peter Estey
Assistant Commissioner
Atlantic

Karen Ellis
Assistant Commissioner
Ontario

Darrell Mahoney
Assistant Commissioner
Pacific

Arlene White
Assistant Commissioner
Prairie

Monique Leclair
Assistant Commissioner
Quebec

Patricia A. MacDonald
Chief Audit Executive and Director General Program Evaluation
Corporate Audit and Evaluation

Susan Bowen
Assistant Commissioner
Corporate Strategies and Business Development

James Ralston
Chief Financial Officer and Assistant Commissioner
Finance and Administration

Lysanne Gauvin
Assistant Commissioner
Human Resources

Gloria Kuffner
Chief Information Officer and Assistant Commissioner
Information Technology

Charles MacNab
Senior General Counsel
Legal Services

Sandra Lavigne
Assistant Commissioner
Public Affairs

As of March 31, 2009

Corporate Committees

Six corporate committees oversee the business operations and the strategic direction of the CRA. **The Commissioner and Chief Executive Officer is the Chair of each of these committees.** The mandate and membership of these committees are outlined below.

Agency Management Committee	
Mandate	The Agency Management Committee oversees program development and delivery, as well as the day-to-day business operations. This committee serves as the principal forum for deliberations on operational issues and ensures consistency and coherence in program delivery.
Membership	All Assistant Commissioners, the Senior General Counsel of Legal Services, and the Director General of the Corporate Audit and Evaluation Branch

Operations Committee	
Mandate	The Operations Committee oversees the program development and delivery of the CRA's core business of tax and benefits administration and is the forum for senior discussion and management of the CRA's day-to-day business.
Membership	The Assistant Commissioners from the Assessment and Benefit Services Branch, the Compliance Programs Branch, the Information Technology Branch, and the Taxpayer Services and Debt Management Branch, as well as the Assistant Commissioners from each of the five regions

Resource and Investment Management Committee	
Mandate	The Resource and Investment Management Committee establishes budget priorities and requirements in accordance with the Corporate Business Plan. This committee oversees the allocation and control of the CRA's financial resources and oversees the management and progress of major investment projects.
Membership	**Co-Chair: The Assistant Commissioner, Finance and Administration Branch.** Other Committee members include the Assistant Commissioners of the Assessment and Benefit Services Branch, the Corporate Strategies and Business Development Branch, the Human Resources Branch, the Information Technology Branch, the Taxpayer Services and Debt Management Branch, and the Ontario Region, as well as the Senior General Counsel of Legal Services and the Director General of the Corporate Audit and Evaluation Branch

Strategic Directions Committee	
Mandate	The Strategic Directions Committee oversees the development of the CRA's strategic direction and business development.
Membership	**Co-Chair: The Assistant Commissioner, Corporate Strategies and Business Development Branch.** Other Committee members include the Assistant Commissioners of the Appeals Branch, the Assessment and Benefit Services Branch, the Compliance Programs Branch, the Information Technology Branch, the Legislative Policy and Regulatory Affairs Branch, the Public Affairs Branch, and the Pacific Region, as well as the Senior General Counsel of Legal Services

Human Resources Committee	
Mandate	The Human Resources Committee provides advice and recommendations on all aspects of HR management within the CRA.
Membership	**Co-Chair: The Assistant Commissioner, Human Resources Branch.** Other Committee members include the Assistant Commissioners of the Compliance Programs Branch, the Taxpayer Services and Debt Management Branch, and the Atlantic and Prairie Regions.

Management Audit and Evaluation Committee	
Mandate	The Management Audit and Evaluation Committee reviews the plans and output of the CRA's review systems to ensure appropriate follow-up to audits and evaluations.
Membership	**Co-chair: The Director General, Corporate Audit and Evaluation Branch.** Other Committee members include the Assistant Commissioners of the Finance and Administration Branch, the Appeals Branch, the Legislative Policy and Regulatory Affairs Branch, the Public Affairs Branch, and the Quebec and Prairie Regions, as well as the Senior General Counsel of Legal Services

Schedule B – Other Items of Interest

This schedule contains detailed action plans and covers sustainable development and the benefit programs and benefit-related services delivered by the Canada Revenue Agency (CRA).

Detailed Tax Debt Management Action Plans

Tracking of actions to address the recommendations of the Public Accounts Committee (PAC) and the Office of the Auditor General of Canada (OAG) regarding the collection of tax debts by the CRA.

Risk Management

The CRA's strategy to improve the risk management of its collections program will address the **OAG's recommendation (8.52)** that:

> **"The Canada Revenue Agency should establish a more comprehensive automated risk-scoring system for tax debts, update the risk scores on an ongoing basis, and use the risk scores to prioritize workload throughout the collections process."**

PAC Reference #2

Specific Commitment(s) and Deliverables	Target Date	Progress
1. Establish processes to use new **Risk Assessment Tools**, build **Risk Models and Scores**, and implement.	Target date of Fiscal Year 2009/10	COMPLETED Piloted a model that predicts the collections yield of a non-filer population. Results were very positive. A decision was made in 2007-2008 to spread implementation of IRC between April and October 2009.
– Risk models will be built in 2006-2007 and are currently scheduled for release over 2007-2008 for testing. – Fully operational risk scores will be available for individual income tax accounts by March 2009.	Release 2.0 – April 2009	Implementation on track • Open business rules in Integrated Revenue Collections (IRC) for the Individual Taxpayer (T1) Accounts Receivable Risk Management decision-making business processes • 100% of the Individual Taxpayer (T1) population in IRC • A taxpayer folder that includes debtor history to assist in determining the next appropriate action • Launched initial data mining models to identify the likeliness of the taxpayer paying a debt voluntarily within the first 90 days and the potential value of an unfiled return
	Release 2.1 - October 2009	In progress and on track Release 2.1 – October 2009 includes: • Additional data mining models are being prepared for deployment as part of IRC Release 2.1 • As a result of these releases, the IRC platform will be risk scoring all accounts receivable using data mining models
2. Fully operational risk scores are scheduled for business programs by 2011.	2011	Funding secured for 2009-2010 for planning phase

File Management

The CRA's strategy to improve the file management of its collections program will address the **OAG's recommendation (8.65)** that:

> **"The Canada Revenue Agency should minimize the number of collectors who work on each account, record their actions in a more systematic way, and improve the case management tools they have at their disposal."**

Specific Commitment(s) and Deliverables	Target Date	Progress
1. Improved file management capacity is currently scheduled for March 2009 for individual income tax collections and compliance. Components: – Integrated Taxpayer View Workbench – Integrated Compliance Platform – Workload Management Component	Target date of December 2009	In progress and on track As stated in previous updates, the project will only be implementing a portion of File Management in Release 2.1. The T1 Taxpayer View Mainframe Macro Application (MMA) prototype was deployed to the Accounts Receivable T1 National Pool sites. This prototype led to the development of a new integrated view workbench MMA - the Accounts Receivable Platform (ARP). This enhanced prototype is currently in testing. The Non-filer/Non-registrant Taxpayer View is currently in the development phase and will be deployed to all tax services offices (TSOs).
2. Business programs are currently scheduled to use the same components for improvements to file and workload management in 2011.	2011	Funding secured for 2009-2010 for planning phase

Performance Reporting

The CRA's strategy to improve the performance reporting of its collections program will address the **OAG's recommendation (8.41)** that:

> **"The Canada Revenue Agency should significantly improve its management information to make it complete and comprehensive. It should develop reliable techniques and information sources to determine on a regular basis the results of its collection efforts and use that information to guide its decision-making for each of its major collection modes and actions."**

Specific Commitment(s) and Deliverables	Target Date	Progress
1. Improved performance reporting tools for individual income tax programs will be available beginning late in 2007, with fully operational reporting at the national, regional, local office, and individual officer levels scheduled for individual income tax programs by March 2009.	Target date of April 2009	COMPLETED • Enhanced data accessibility provided through an updated version of All Revenues Table that was re-released into production as of June 2008. The work continues to enhance data access and inventory management reporting for program managers. • Improved operational and corporate reporting, with increased access to information and flexibility, for T1 (individuals). • Three different data marts have been built to support data analysis, research, and performance reporting capabilities.
2. Performance reporting tools are currently scheduled to be progressively implemented throughout all major business revenue lines by 2011.	2011	In progress Funding secured for 2009-2010 for planning phase
3. The CRA will collect information on collector actions through continued enhancement of its performance measurement systems by way of the Integrated Revenue Collections (IRC) project, which is scheduled to have its first major phase implemented by March 2009.	Target date of April 2009	In progress and on track • A decision was made in 2007-2008 to spread implementation of IRC between April and October 2009 • Progress continues to be made on improving performance information on the results of actions of individual collectors. Testing completed for implementation of the Taxpayer Folder concept which will store front-end automated collections actions in addition to the taxpayers actions.

Debt Management Research

The CRA's strategy to improve its debt management research will address the **OAG's recommendation (8.28)** that:

> **"The Canada Revenue Agency should identify and collect the data it needs to analyze the makeup of its tax debt and to develop better collection strategies."**
>
> **(considering a variety of factors including fluctuations in the economic cycle)**

PAC Reference #4

Specific Commitment(s) and Deliverables	Target Date	Progress
1. **T1** Initial research model (to better understand the makeup of tax debt and the profile of debtors) is currently scheduled to be developed over 2006-2007 for individual income tax programs	March 2007	COMPLETED • An Individual Tax Debtor Research Model has been completed and a number of related research initiatives have been completed or are in progress.
2. **Business** Business program research model is currently scheduled to be developed in 2007, for implementation early in 2008	April 2008	COMPLETED (Income Tax) • A Corporation Income Tax Debt research model has been completed and a number of related research initiatives are in progress.
3. **T1-Enhanced** Build enhanced analytical capacity using IRC data-analysis enhancements, currently scheduled for 2009 for individual income tax accounts	March 2009	COMPLETED • The data infrastructure is supporting the research and analysis to increase the capacity for debt management research using data already available in the CRA. • Privacy Impact Assessment was prepared to address privacy issues relative to access to data for analytic and research purposes.
4. **Business-Enhanced** Build enhanced analytical capacity using IRC data-analysis enhancements by 2011 for business programs	2011	Deferred until funding source is secured
5. **Research Into Economic Indicators** Develop research approach and conduct study	Ongoing	• Completed literature reviews of external indicators as a component of research studies undertaken in 2008-2009.

Outstanding 1994 OAG Recommendations

PAC Recommendation #1:

> **"That the Canada Revenue Agency develop a detailed action plan that includes timelines and performance indicators for the implementation of the outstanding recommendations contained in chapter 29 of the Auditor General's 1994 Report and submit that action plan to the Standing Committee on Public Accounts no later than 31 December 2006."**

NOTE:

- Two items involving risk-scoring and performance information have been included under Item 1.
- No further submissions to PAC will be made as our September 2006 report met the PAC requests.

Specific Commitment(s) and Deliverables	Target Date	Progress
1. An analysis of danger-of-loss scenarios is being conducted, and a final report will be produced by June 2007.	June 2007	COMPLETED
2. Performance standards will be established at the collector level through a tailored addendum to the existing performance management products to be implemented for all collectors beginning September 1, 2007. These standards will include the nature and frequency of debtor contacts, time frames for resolving accounts, and the use of legal action and other methods to collect amounts outstanding.	September 2007	COMPLETED Work Assessment Checklist and tools have been implemented.
3. In response to the OAG's recommendation to monitor time spent by collection officers in both cash-generating and non-cash-generating activities, the CRA has already introduced more detailed time reporting on newly established speciality workflows.	COMPLETE	COMPLETED (IMPLEMENTED APRIL 2006) An internal order process has been developed and implemented to capture time spent on activities. The process is very detailed and includes all work activities handled by the field.
4. The OAG reported that satisfactory progress had been made in respect of 4 additional items recommended in 1994: – Large Debt Collections – Ability To Pay Guidelines – Tracking Results By Officer – Annual Review Of Accounts	COMPLETE	COMPLETED

Remaining PAC Recommendations

PAC Recommendation #5:

> **"That the Canada Revenue Agency report on progress on the implementation of this plan in its annual performance report, beginning with the year ending March 31, 2007."**

Specific Commitment(s) and Deliverables	Target Date	Progress
1. The Annual Report to Parliament will be modified to include this information.	March 2007	COMPLETED A progress update was included in the CRA Annual Report to Parliament for 2006-2007. The update focuses on the plan of action for implementing the Agency 2010 strategic vision through branch business transformation to strengthen core debt management business operations. Updates will be provided in the CRA Annual Report each year.

Remaining OAG Recommendations

OAG Recommendation 8.65:

> **"The Canada Revenue Agency should minimize the number of collectors who work on each account, record their collection actions in a more systematic way, and improve the case management tools they have at their disposal."**

The CRA will undertake an initiative to identify file management inefficiencies and improve the effectiveness of collector actions on case inventories.

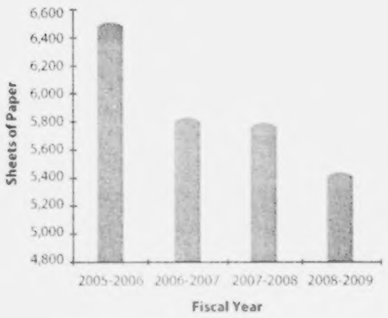
The CRA will build on process improvements it has made, such as the national collections call centre and national pools, to further improve its file management. More specifically, the Integrated Revenue Collections project will improve the case management tools available to perform all CRA collection activities.

Specific Commitment(s) and Deliverables	Target Date	Progress
1. A study of files managed by collectors will be conducted to validate the OAG observations and identify improvements to practices.	September 2007	COMPLETED The file reviews have been completed and initial findings on lower value and complexity accounts demonstrated that additional measures are needed to assure quality of work. This item has now been completed insofar as delivering on the management response to this 2006 observation. **For information:** Accounts Receivable Division implemented two tools to improve the quality of work done by collection officers. The first is the Work Assessment Checklist, which is a joint Union/Management initiative, to be used by the team leader to enhance performance management. The second is the roll-out of an On-Site Quality Assurance Review process (OSQAR). The goal is to review the work done at the TSO level, identify negative trends and training needs, and address findings in a timely manner. Both programs were implemented in 2007-2008.

Sustainable Development

We realized additional efficiencies and further reduced the environmental impacts of our operations during 2008-2009. By communicating and leveraging technology, we reduced office paper use by 5.9% or 336 sheets per employee from 2007-2008. This means that each CRA employee used an average of 5,385 sheets of office paper to carry out their job (see Figure 17). We expanded our No Waste program to include five additional CRA facilities. As a result, 83% of our employees have access to solid waste recycling through the No Waste program. We augmented the proportion of our fleet vehicles that are considered green (hybrids and alternative fuel vehicles) to 42.6%—compared to 38.5% in 2007-2008—and introduced a national environmental management program to expand energy conservation efforts within the CRA.

Figure 17 Sheets of Paper Purchased per CRA Employee



CRA senior management continued to demonstrate strong support for our Sustainable Development (SD) Program. Within the Executive Cadre, 97% included SD commitments in their performance agreements. Through the Sustainable Development Innovation Fund, we provided funding and monitored implementation of five new employee-driven SD projects. We also assessed the overall performance of the fund, and we will use best practices in promoting the expansion of successful projects within the CRA.

For 2009-2010, some of the key objectives of the SD Program are to complete a Greenhouse Gas emissions baseline for CRA business travel; implement energy conservation initiatives; and continue strategic integration of SD principles in our operations and program delivery. We will also position our SD Program to respond to requirements of the *Federal Sustainable Development Act* and the resulting federal sustainable development strategy.

For more information on our Sustainable Development performance, please go to: www.cra.gc.ca/sds

Benefit Programs and Benefit-Related Services Delivered by the CRA

Six Federal Benefit Programs

- Canada Child Tax Benefit
- Children's Special Allowances
- Disability tax credit
- Goods and services tax / harmonized sales tax credit
- Universal Child Care Benefit[1]
- Working income tax benefit advance payments

[1] On behalf of Human Resources and Skills Development Canada

20 Ongoing Benefit Programs for Provinces and Territories	1st Year
British Columbia – BC Family Bonus	1996
Alberta Family Employment Tax Credit	1997
New Brunswick Child Tax Benefit	1997
New Brunswick Working Income Supplement	1997
Newfoundland and Labrador Harmonized Sales Tax Credit	1997
British Columbia – BC Earned Income Benefit	1998
Saskatchewan Child Benefit	1998
Northwest Territories Child Benefit	1998
Northwest Territories – Territorial Worker's Supplement	1998
Nova Scotia Child Benefit	1998
Yukon Child Benefit	1999
Nunavut Child Benefit	1999
Nunavut – Territorial Worker's Supplement	1999
Newfoundland and Labrador Child Benefit	1999
Newfoundland and Labrador Seniors' Benefit	1999
Saskatchewan Low-Income Tax Credit	2000
Newfoundland and Labrador – Mother Baby Nutrition Supplement	2001
Ontario Child Benefit	2007
British Columbia Low Income Climate Action Tax Credit	2008
Ontario Senior Homeowners' Property Tax Grant	2009

Nine One-Time Payment Programs	Tax Year
Relief for Heating Expenses (federal)	2000
British Columbia – BC Energy Rebate	2001
Alberta Energy Tax Refund	2001
Ontario Taxpayer Dividend	2001
Nova Scotia Taxpayer Refund	2003
Energy Cost Benefit (federal)	2005
Alberta 2005 Resource Rebate	2005
Ontario Home Electricity Relief	2006
British Columbia Climate Action Dividend	2008

46 Data Exchange and Data Transfer Services

- Twenty-three income verification data exchanges with provinces to support programs
- Eleven NCB Supplement data exchanges with provinces and territories to facilitate calculation of social assistance
- Four data transfers with provinces to support top-ups for CRA-administered child benefit programs
- Two data transfers of income and child information to support administration of the Ontario Child Care Supplement and Quebec Family Allowance programs
- Two data exchanges and transfers to support the new Nova Scotia Pharmacare program and to assist the ministère du Revenu du Québec in the administration of the Quebec *Income Tax Act*
- Four data exchanges and data transfers to support federal administration of EI Family Supplement, Canada Learning Bond, Additional Canada Education Savings Grant, and Guaranteed Income Supplement

Schedule C – Web Links for Additional Information

Subject	CRA Web Sites
Annual Report 2007-2008	www.cra.gc.ca/annualreport
Board of Management	www.cra.gc.ca/board
Community Volunteer Income Tax Program	www.cra.gc.ca/volunteer
CRA E-services	www.cra.gc.ca/electronicservices
Home Renovation Tax Credit (HRTC)	www.cra.gc.ca/hrtc
Information for Newcomers to Canada	www.cra.gc.ca/tx/nnrsdnts/ndvdls/nwcmr-eng.html
Making a Difference for Canadians	www.cra.gc.ca/makingadifference
Measuring the Small Business Compliance Burden	www.cra.gc.ca/gncy/bnchmrk/menu-eng.html
Minister of National Revenue	www.cra.gc.ca/gncy/minister
My Account	www.cra.gc.ca/myaccount
My Business Account	www.cra.gc.ca/mybusinessaccount
Summary of Corporate Business Plan 2008-2009 to 2010-2011	www.cra.gc.ca/gncy/bsnss_plns/2008/menu-eng.html
Our Service Standards	www.cra.gc.ca/servicestandards
Project Trident	www.cra.gc.ca/gncy/trdnt/menu-eng.html
Quick Access	www.cra.gc.ca/quickaccess
Scientific Research and Experimental Development Program (SRED)	www.cra.gc.ca/sred
Service Complaints	www.cra.gc.ca/complaints
Sustainable Development	www.cra.gc.ca/sds
Taxpayer Bill of Rights	www.cra.gc.ca/rights
Taxpayers' Ombudsman	www.taxpayersrights.gc.ca/menu-eng.html
Underground Economy	www.cra.gc.ca/undergroundeconomy
Voluntary Disclosures Program	www.cra.gc.ca/voluntarydisclosures

Subject	Additional Web Sites
Accenture Report, Leadership in Customer Service	www.accenture.com/Global/Services/By_Industry/Government_and_Public_Service
Access to Information Act	laws.justice.gc.ca/en/A-1
Canada Border Services Agency	www.cbsa.gc.ca
Citizenship and Immigration Canada	www.cic.gc.ca
Department of Finance Canada	www.fin.gc.ca
Department of Justice Canada	www.justice.gc.ca
Excise Tax Act	laws.justice.gc.ca/en/E-14.1/index.html
Family Orders and Agreement Enforcement Act	laws.justice.gc.ca/en/F-1.4/index.html
Government of Canada	www.canada.gc.ca
House of Commons	www.parl.gc.ca
Human Resources and Skills Development Canada	www.hrsdc.gc.ca
Income Tax Act	laws.justice.gc.ca/en/showtdm/cs/I-3.3/index.html
Organisation for Economic Co-operation and Development (OECD)	www.oecd.org
Privacy Act	laws.justice.gc.ca/en/P-21/index.html
Softwood Lumber Products Export Charge Act, 2006	laws.justice.gc.ca/en/showtdm/cs/S-12.55
Tax-Free Savings Account	www.tfsa.gc.ca
The Senate of Canada	www.sen.parl.gc.ca
Treasury Board of Canada Secretariat	www.tbs-sct.gc.ca

Schedule D – Glossary

Term	Description
Caller accessibility	A measure of the percentage of callers who succeed in reaching our telephone service.
Cancellation	The reversal of a penalty or interest that has already been assessed.
Cash receipts	Money received by the CRA or its agents during the fiscal year ended March 31, the majority of which is deposited to the federal government's Consolidated Revenue Fund. Any money not yet deposited is referred to as 'cash on hand'.
Commodity taxes	Federal tax collected on the purchase of goods or services made by the final consumer.
Compliance	Adherence to the law. Total compliance with tax laws includes filing, registration, remittance, and reporting for taxes and benefits in a voluntary, accurate, and timely manner.
Contract Payment Reporting	An initiative that is aimed at deterring underground economic activity by requiring all construction businesses to record payments that are made to subcontractors who provide construction services.
Corporate Business Plan	Outlines the CRA's major challenges, directions, and objectives for a three-year period; the strategies to achieve those objectives; and the performance measures to be used to measure progress.
Dispute	General term to designate a disagreement, objection, or appeal to the Minister of National Revenue made by or on behalf of a taxpayer or benefit recipient, related to a CRA decision.
Eligible taxpayer/benefit recipient	One who meets the requirements to qualify to receive a specific service or payment/credit.
Enforcement	Actions taken by the CRA to identify and address cases of non-compliance.
Entitlement	The amount due to an eligible person for a specific period.
Expected results	Clear and measurable statements of what the CRA expects to achieve over the planning period, against which our performance will be assessed and reported.
Fiscal impact	Additional tax identified through our compliance activities. This includes federal and provincial tax (excluding Quebec), federal tax refund offset, or reduced interest and penalties; and present value of future tax assessable.
Full-time equivalent	A unit measuring a length of time for employment cost purposes in an operating budget. It includes incidental time necessarily used for annual leave, training, etc.
Governance	A comprehensive term that denotes the institutions and processes by which an organization is directed or controlled.
Indicator	The qualification or quantification of a characteristic that is measured to assess the extent to which an expected result is achieved. In other words, it is a means of knowing whether or not we have achieved a desired result.
Non-tax debt	Debt arising from defaulted Canada Student Loans, Canada Pension Plan overpayments, and Employment Insurance overpayments that the CRA is responsible for collecting on behalf of Human Resources and Skills Development Canada and as yet has not collected.
Non-workable file	A file that is awaiting a court decision, a related file that is pending, a file that is awaiting an opinion from a Headquarters appeals office, or (with respect to CPP/EI and tax issues) a file that has been referred to a specialized CPP/EI group for an opinion.
Performance	A term used to define what the CRA did with its resources to achieve its results compared to what the CRA intended to achieve and how well lessons learned have been identified.
Risk	The expression of the likelihood of an event to occur that has the potential to impact the achievement of an organization's objectives. Risk is managed by using a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on, and communicating risk issues.

Term	Description
Service standard	A public statement of the level of performance that citizens can expect to encounter from the CRA under normal circumstances.
Set-off	A service provided by the CRA that allows tax refunds and GST/HST credits for individuals to be transferred (set off) to pay debts owed to other federal, provincial, or territorial government programs.
Small and medium-sized enterprises	Small Enterprises: Individuals who are in business, trusts, and private corporations with less than $1 million in annual revenues. Medium Enterprises: Typically, corporations with annual revenues between $1 million and $250 million and often involve subsidiary corporations and branch operations.
Strategic outcome	A description of the difference an organization is mandated to make that provides long-term benefits to Canadians.
T1	Income Tax and Benefit Return for Individual
T2	Corporation Income Tax Return
T3	Trust Return
T4	Statement of Remuneration Paid
T5	Return of Investment Income
Tax Alert	A tax alert is a media product used by the CRA when it wishes to communicate matters of particular importance to Canadians that are normally time-sensitive and aimed at protecting their interest and providing important information that could directly affect them. This may include information on tax shelters, investments, tax strategies, and fraud that targets taxpayers.
Tax debt	Taxes and other revenues assessed or estimated by the CRA but not yet collected.
Taxpayer relief provisions	Legislation introduced in the early 1990s that provides relief (e.g., forgiveness of interest and penalties) to taxpayers in specific circumstances beyond their control.
Taxpayer segments	Groups of taxpayers who have common compliance requirements and characteristics, service needs, preferences for accessing information or services, or expectations of the CRA, such as individuals; small, medium, and large businesses, both incorporated and unincorporated; and charities.
Tax shelter	Tax shelters are defined in the *Income Tax Act*. In very general terms, a tax shelter includes either a gifting arrangement or the acquisition of property where it is represented to the purchaser or donor that the tax benefits and deductions arising from the arrangement or acquisition will equal or exceed the net costs of entering into the arrangement or the property. Also, a gifting arrangement where the donor incurs a limited recourse debt related to the gift is considered to be a tax shelter. Generally, a limited recourse debt is one where the borrower is not at risk for the repayment.
Underground economy	Economic activity that is neither reported nor recorded.
Voluntary Disclosures Program	A program that provides taxpayers with the opportunity to correct past errors or omissions and to report, without penalty or prosecution, their tax obligations to the CRA.
Waiver	When penalties or interest have not yet been charged, the decision not to charge the amount, either at the taxpayer's request or by the CRA's own initiative.

Schedule E – Acronyms and Abbreviations

ABA	Automated Benefits Applications
AWP	Agency Workforce Plan
BN	Business Number
BoM	Board of Management
BoMOF	Board of Management Oversight Framework
CAP	Core Audit Program
CBHRM	Competency-Based Human Resources Management
CCTB	Canada Child Tax Benefit
CPP	Canada Pension Plan
CRA	Canada Revenue Agency
CTAO	Corporate Tax Administration for Ontario
CVITP	Community Volunteer Income Tax Program
DTC	Disability Tax Credit
EC	Executive Cadre
EI	Employment Insurance
ESAT	Eligibility Self-Assessment Tool
FTE	Full-time Equivalent
GST	Goods and Services Tax
HRSDC	Human Resources and Skills Development Canada
HST	Harmonized Sales Tax
IT	Information Technology
IRC	Integrated Revenue Collections
MAF	Management Accountability Framework
MOU	Memorandum of Understanding
N/A	Not applicable
n/a	Not available
NF/NR	Non-filer/Non-registrant
OAG	Office of the Auditor General of Canada
OECD	Organisation for Economic Co-operation and Development
PQP	Pre-Qualification Process
RRSP	Registered Retirement Savings Plan
SMEs	Small and medium-sized entreprises
SR&ED	Scientific Research and Experimental Development
TBS	Treasury Board of Canada Secretariat
TFSA	Tax-Free Savings Account
TSO	Tax Services Office
UCCB	Universal Child Care Benefit
UE	Underground Economy
WITB	Working Income Tax Benefit

Financial Statements

Financial Statements Table of Contents

Statement of Management Responsibility 121

Audited Financial Statements – Agency Activities 123

Financial Statements Discussion and Analysis – Agency Activities 140

Audited Financial Statements – Administered Activities 145

Financial Statements Discussion and Analysis – Administered Activities 163

Unaudited Supplementary Financial Information 171

Financial Performance Information – Parliamentary Appropriations 173

Financial Performance Tables 175

Statement of Management Responsibility

We have prepared the accompanying financial statements of the Canada Revenue Agency according to accounting principles consistent with those applied in preparing the financial statements of the Government of Canada. Significant accounting policies are set out in Note 2 to the financial statements. Some of the information included in the financial statements, such as accruals and the allowance for doubtful accounts, is based on management's best estimates and judgments, with due consideration to materiality. The Agency's management is responsible for the integrity and objectivity of data in these financial statements. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Annual Report* is consistent with these financial statements.

To fulfill its accounting and reporting responsibilities, management maintains sets of accounts which provide records of the Agency's financial transactions. Management also maintains financial management and internal control systems that take into account costs, benefits, and risks. They are designed to provide reasonable assurance that transactions are within the authorities provided by Parliament, and by others such as provinces and territories, are executed in accordance with prescribed regulations and the *Financial Administration Act*, and are properly recorded to maintain the accountability of funds and safeguarding of assets. Financial management and internal control systems are reinforced by the maintenance of internal audit programs. The Agency also seeks to assure the objectivity and integrity of data in its financial statements by the careful selection, training, and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that its regulations, policies, standards, and managerial authorities are understood throughout the organization.

The Board of Management is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board of Management. To assure objectivity and freedom from bias, these financial statements have been reviewed by the Audit Committee and approved by the Board of Management. The Audit Committee is independent of management and meets with management, the internal auditors, and the Auditor General of Canada on a regular basis. The auditors have full and free access to the Audit Committee.

The Auditor General of Canada conducts an independent audit and expresses opinions on the accompanying financial statements.

Approved by:

William V. Baker
Commissioner and Chief Executive Officer

James Ralston
Chief Financial Officer and Assistant
Commissioner, Finance and Administration

Ottawa, Ontario
August 20, 2009

Audited Financial Statements – Agency Activities

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of financial position of the Agency Activities of the Canada Revenue Agency as at March 31, 2009 and the statements of operations, net liabilities and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency Activities of the Canada Revenue Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 20, 2009

Canada Revenue Agency
Statement of Financial Position – Agency Activities

As at March 31
(in thousands of dollars)

	2009	2008
ASSETS		
Financial assets		
Cash	71	104
Due from the Consolidated Revenue Fund	299,995	268,417
Accounts receivable and advances (Note 4)	7,711	25,209
	307,777	293,730
Non-financial assets		
Prepaid expenses	19,333	16,070
Capital assets (Note 5)	489,816	456,471
	509,149	472,541
TOTAL	**816,926**	**766,271**
LIABILITIES		
Accrued salaries	168,100	127,952
Accounts payable and accrued liabilities	161,962	143,442
Lease obligations for capital assets (Note 6)	13,562	5,366
Vacation pay and compensatory leave	164,478	158,864
Employee severance benefits (Note 7)	619,846	509,479
Other liabilities	2,262	1,738
	1,130,210	946,841
NET LIABILITIES (Note 8)	(313,284)	(180,570)
TOTAL	**816,926**	**766,271**

Contingent liabilities (Note 13) and contractual obligations (Note 14)
The accompanying notes form an integral part of these financial statements.

Approved by:

William V. Baker
Commissioner and Chief Executive Officer

Sylvie Tessier, ICD.D
Director and Interim Chair,
Board of Management

Canada Revenue Agency
Statement of Operations – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2009	2008
EXPENSES (Note 9)		
Reporting compliance	1,529,009	1,401,813
Assessment of returns and payment processing	1,024,274	951,074
Accounts receivable and returns compliance	908,197	826,265
Taxpayer and business assistance	513,414	443,517
Appeals	254,489	227,444
Benefit programs	204,315	177,648
TOTAL EXPENSES	4,433,698	4,027,761
NON-TAX REVENUE (Note 10)		
Reporting compliance	78,770	67,126
Assessment of returns and payment processing	134,046	117,999
Accounts receivable and returns compliance	192,187	181,293
Taxpayer and business assistance	84,215	76,582
Appeals	25,594	22,585
Benefit programs	22,747	14,068
TOTAL NON-TAX REVENUE	537,559	479,653
NET COST OF OPERATIONS	**3,896,139**	**3,548,108**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Net Liabilities – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2009	2008
Net liabilities, beginning of year	(180,570)	(70,433)
Net cost of operations	(3,896,139)	(3,548,108)
Current year Parliamentary appropriations used (Note 3(a))	3,804,856	3,609,138
Non-tax revenue not credited to Vote 1 (Note 3(c))	(266,628)	(217,082)
Change in net cash not affecting appropriations in the current year (Note 3(c))	(56,695)	(69,886)
Services received without charge from other government agencies and departments (Note 11)	250,314	211,053
Change in due from the Consolidated Revenue Fund	31,578	(95,252)
NET LIABILITIES, END OF YEAR	**(313,284)**	**(180,570)**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Cash Flow – Agency Activities

for the year ended March 31
(in thousands of dollars)

	2009	2008
Operating activities		
Net cost of operations	3,896,139	3,548,108
Items not affecting cash		
Amortization of capital assets	(88,377)	(79,805)
Net loss on disposal/write-off of capital assets	(23,157)	(2,063)
Services received without charge from other government agencies and departments (Note 11)	(250,314)	(211,053)
Change in financial assets other than due from the Consolidated Revenue Fund	(17,531)	(168,223)
Change in prepaid expenses	3,263	539
Change in liabilities other than lease obligations for capital assets	(175,173)	88,937
Cash used by operating activities	3,344,850	3,176,440
Capital investing activities		
Acquisition of capital assets funded by current year appropriations (Note 3 (b))	126,321	137,655
Acquisition of capital assets not funded by current year appropriations	19,490	10,981
Proceeds from disposal of capital assets	(932)	(50)
Cash used by capital investing activities	144,879	148,586
Financing activities		
Increase in lease obligations for capital assets	(15,374)	(9,015)
Payment of lease obligations for capital assets	7,178	6,159
Cash provided by financing activities	(8,196)	(2,856)
Net cash provided by the Government of Canada	**3,481,533**	**3,322,170**

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements – Agency Activities

1. Authority and objectives

The Canada Revenue Agency (the "Agency") is an agent of Her Majesty of Canada under the *Canada Revenue Agency Act (CRA Act)*. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the Agency is to support the administration and enforcement of tax legislation as well as other related legislation. The Agency provides support, advice, and services by:

(a) supporting the administration and enforcement of program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes and Employment Insurance (EI) premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal government, as well as for provincial, territorial, and First Nations governments and collects amounts for other groups or organizations, including Canada Pension Plan (CPP) contributions. It is responsible for the administration and enforcement of the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *CRA Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In delivering its mandate, the Agency operates under the following program activities:

(a) Reporting compliance: Verifies complete and accurate disclosure by taxpayers of all required information to establish tax liabilities;

(b) Assessment of returns and payment processing: Processes and validates taxpayer returns; registers, establishes, and maintains taxpayer accounts; and, receives payments;

(c) Accounts receivable and returns compliance: Identifies and addresses non-compliance with taxpayer filing and remittance requirements;

(d) Taxpayer and business assistance: Assists taxpayers in meeting their obligations under the self-assessment;

(e) Appeals: Provides a dispute resolution process for taxpayers who disagree with decisions taken by the Agency;

(f) Benefit programs: Provides Canadians certain income-based benefits, credits and other services on behalf of federal, provincial (except Québec), and territorial governments.

2. Summary of significant accounting policies

For financial reporting purposes, the activities of the Agency have been divided into two sets of financial statements: Agency Activities and Administered Activities. The financial statements - Agency Activities include those operational revenues and expenses which are managed by the Agency and utilized in running the organization. The financial statements - Administered Activities include those revenues and expenses that are administered for someone other than the Agency, such as the federal government, a province or territory, or another group or organization. The purpose of the distinction between Agency and Administered activities is to facilitate, among other things, the assessment of the administrative efficiency of the Agency in achieving its mandate.

As required by section 88(2)(a) of the *CRA Act*, the financial statements - Agency Activities have been prepared using accounting principles consistent with those applied in the preparation of the financial statements of the Government of Canada. The accounting principles used are consistent with Canadian generally accepted accounting principles for the public sector. A summary of significant accounting policies follows:

(a) Parliamentary appropriations

The Agency is financed by the Government of Canada through Parliamentary appropriations. Accounting for appropriations provided to the Agency does not parallel financial reporting according to Canadian generally accepted accounting principles, as they are based in large part on cash flow requirements. Consequently, items recognized in the Statement of Financial Position and the Statement of Operations may be different from those provided through appropriations from Parliament. Note 3(b) provides a high-level reconciliation between the two bases of reporting.

(b) Net cash provided by the Government of Canada

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements are paid from the CRF. The net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions with departments and agencies.

(c) Expense recognition

Expenses are recognized when goods are received and/or services are rendered.

(d) Services received without charge from other government agencies and departments

Estimates of the cost for services received without charge from other government agencies and departments are included in expenses. Costs are estimated using the cost recovery methodology.

(e) Revenue recognition

Non-tax revenue is recognized when the services are rendered by the Agency.

(f) Capital Assets

All costs of $10,000 or more incurred by the Agency to acquire or develop capital assets are capitalized and amortized over the useful lives of the assets. Similar items under $10,000 are expensed.

Capital assets are amortized on a straight-line basis over the estimated useful lives of assets as follows:

Asset class	Useful life
Machinery, equipment, and furniture	10 years
In-house developed software	5-10 years
Vehicles and other means of transportation	5 years
Information technology equipment	5 years
Purchased software	3 years
Leased capital assets	Term of the lease

Assets under construction/development are not amortized until completed and put into operation.

(g) Due from the Consolidated Revenue Fund (CRF)

Amounts due from the CRF are the result of timing differences between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Agency is entitled to draw from the CRF without further authorities.

(h) Employee future benefits

(i) Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Agency's contributions reflect the full cost as employer. These amounts are currently based on a multiple of an employee's required contributions and may change over time depending on the experience of the Plan. The Agency's contributions are expensed during the year in which the services are rendered and represent the total pension obligation of the Agency. Current legislation does not require the Agency to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

(ii) Severance benefits

Employees are entitled to severance benefits, as provided for under labour contracts and conditions of employment. The cost of these benefits is accrued as employees render the services necessary to earn them. The obligation resulting from the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(i) Vacation pay and compensatory leave

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment. The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and compensatory leave benefits accruing to employees.

(j) Employee benefit plan

The Government of Canada sponsors an employee benefit plan (health and dental) in which the Agency participates. The Agency's contributions to the plan are recorded at cost and charged to personnel expenses in the year incurred. They represent the Agency's total obligation to the plan. Current legislation does not require the Agency to make contributions for any future unfunded liabilities of the plan.

(k) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable, the Agency's best estimate of the contingency is disclosed in the notes to the financial statements.

(l) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenue and expenses reported on the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Employee severance benefits, contingent liabilities, the useful life of capital assets, services received without charge and the allowance for doubtful accounts are the most significant items where estimates are used. Actual results could differ significantly from the current estimates. The estimates are reviewed periodically and, as adjustments become necessary, they are reported in the financial statements in the period in which they become known.

3. Parliamentary appropriations

The Agency receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Financial Position and the Statement of Operations in one year may be funded through Parliamentary appropriations in prior, current, or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. These differences are reconciled below.

(a) Reconciliation of Parliamentary appropriations provided and used:

	2009	2008
	(in thousands of dollars)	
Parliamentary appropriations — provided:		
Vote 1 - CRA operating expenditures	3,326,531	3,160,637
Amounts available for spending per section 60(2) of the *CRA Act*	219,585	171,763
Spending of proceeds from disposal of surplus Crown assets	785	126
Statutory expenditures:		
Statutory contributions to employee benefits plans	419,900	402,012
Transfers to provinces under the *Softwood Lumber Products Export Charge Act, 2006*[1]	180,495	603,602
Children's Special Allowance Payments[1]	211,848	208,163
Energy Cost Benefit[1]	489	992
Private collection agency fees	9,067	12,431
Other	1,962	437
	4,370,662	4,560,163
Less:		
Appropriations available for future years[2]	(147,065)	(134,871)
Appropriation lapsed[2]	(24,941)	(2,333)
Expenditures related to Administered Activities[1]	(393,800)	(813,821)
	(565,806)	(951,025)
Total Parliamentary appropriations used	**3,804,856**	**3,609,138**

[1] In accordance with the division of activities for financial reporting purposes outlined in Note 2, the ex-gratia payments for Relief for Heating Expense, which were authorized through Vote 1 - CRA (Operating expenditures), as well as the payments under the *Softwood Lumber Products Export Charge Act*, the Children's Special Allowance and the Energy Cost Benefit payments, are reported as federal administered expenses on the Statement of Administered Expenses and Recoveries of the Agency's Administered Activities financial statements.

[2] Pursuant to section 60(1) of the *CRA Act*, the balance of money appropriated by Parliament for the use of the Agency that remains unexpended at the end of the fiscal year lapses at the end of the following fiscal year.

(b) Reconciliation of net cost of operations to total Parliamentary appropriations used:

	2009	2008
	(in thousands of dollars)	
Net cost of operations	3,896,139	3,548,108
Expenses not requiring use of current year appropriations:		
Amortization of capital assets (Note 9)	(88,377)	(79,805)
Adjustment to prior years' accruals	5,175	1,220
Loss on disposal/write-off of capital assets	(23,947)	(2,071)
Services received without charge from other government agencies and departments (Note 11)	(250,314)	(211,053)
Other	9,578	22,935
	(347,885)	(268,774)
Asset acquisitions funded by current year appropriations:		
Capital assets	126,321	137,655
Prepaid expenses	3,263	539
	129,584	138,194
Net changes in future funding requirements:		
Employee severance benefits	(110,367)	(14,448)
Salary, vacation pay and compensatory leave	(29,243)	(11,024)
	(139,610)	(25,472)
Non-tax revenue not credited to Vote 1 (Note 10):		
Non-tax revenue available for spending	215,554	173,068
Non-tax revenue not available for spending	51,074	44,014
	266,628	217,082
Total Parliamentary appropriations used	**3,804,856**	**3,609,138**

(c) Reconciliation of net cash provided by the Government of Canada to Parliamentary appropriations used:

	2009	2008
	(in thousands of dollars)	
Net cash provided by Government of Canada	3,481,533	3,322,170
Non-tax revenue not credited to Vote 1 (Note 10):		
Non-tax revenue available for spending	215,554	173,068
Non-tax revenue not available for spending	51,074	44,014
	266,628	217,082
Change in net cash not affecting appropriations in the current year:		
Net changes in accounts payable, accrued liabilities, accrued salaries and other liabilities	59,192	(109,948)
Net changes in cash and accounts receivable	17,531	168,223
Other adjustments	(20,028)	11,611
	56,695	69,886
Total Parliamentary appropriations used	**3,804,856**	**3,609,138**

4. Accounts receivable and advances

	2009	2008
	(in thousands of dollars)	
Accounts receivable – Related parties (Note 11)	2,423	17,969
Accounts receivable – External	736	2,594
Advances to employees	2,236	2,154
Salary overpayments	3,095	2,816
	8,490	25,533
Less: Allowance for doubtful accounts	(779)	(324)
	7,711	**25,209**

5. Capital assets

	Cost			
Capital Asset Class	**Opening balance**	**Acquisitions**	**Disposals and adjustments**	**Closing balance**
	(in thousands of dollars)			
Machinery, equipment and furniture	14,778	1,122	1,534	14,366
Software (purchased and in-house developed and/or in development)	480,295	96,221	17,188	559,328
Vehicles and other means of transportation	2,324	384	270	2,438
Information technology equipment including leased assets (Note 6)	285,714	48,084	135,495	198,303
Total	**783,111**	**145,811**	**154,487**	**774,435**

	Accumulated amortization			
Capital Asset Class	**Opening balance**	**Amortization expense**	**Disposals and adjustments**	**Closing balance**
	(in thousands of dollars)			
Machinery, equipment and furniture	10,464	736	1,418	9,782
Software (purchased and in-house developed and/or in development)	126,101	50,112	369	175,844
Vehicles and other means of transportation	1,373	386	236	1,523
Information technology equipment including leased assets (Note 6)	188,702	37,143	128,375	97,470
Total	**326,640**	**88,377**	**130,398**	**284,619**

Capital Asset Class	**2009 Net book value**	**2008 Net book value**
	(in thousands of dollars)	
Machinery, equipment and furniture	4,584	4,314
Software (purchased and in-house developed and/or in development)	383,484	354,194
Vehicles and other means of transportation	915	951
Information technology equipment including leased assets (Note 6)	100,833	97,012
Total	**489,816**	**456,471**

The costs of assets under construction or development, which are not amortized, are $166,996,563 in software and $0 in information technology equipment as at March 31, 2009 ($130,045,789 and $142,395 respectively as at March 31, 2008).

6. Lease obligations for capital assets

The Agency has entered into agreements to rent information technology equipment under capital leases with a cost of $15,374,292 and accumulated amortization of $1,601,489 as at March 31, 2009 ($12,777,282 and $6,783,114 respectively as at March 31, 2008). These capital leases expire on September 30, 2012. The obligations for the upcoming years include the following:

	2009	2008
	(in thousands of dollars)	
2008-2009	–	5,443
2009-2010	4,110	–
2010-2011	4,110	–
2011-2012	4,110	–
2012-2013	2,054	–
Total future minimum lease payments	14,384	5,443
Less: imputed interest (3.32%)	822	77
Balance of lease obligations for capital assets	**13,562**	**5,366**

7. Employee future benefits

(a) Pension benefits

The Agency and all eligible employees contribute to the Public Service Pension Plan, which is sponsored by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to the increase in the Consumer Price Index.

The Agency's and employees' contributions to the Public Service Pension Plan for the year were as follows:

	2009	2008
	(in thousands of dollars)	
Agency's contributions	303,167	293,066
Employees' contributions	143,145	128,115

The Agency's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada.

(b) Severance benefits

The Agency provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2009	2008
	(in thousands of dollars)	
Employee severance benefits, beginning of year	509,479	495,031
Cost for the year	149,601	49,265
Benefits paid during the year	(39,234)	(34,817)
Employee severance benefits, end of year	**619,846**	**509,479**

8. Net liabilities

Net liabilities represent liabilities incurred by the Agency, net of assets, which have not yet been funded through appropriations. Significant components of these amounts are employee severance benefits and vacation pay and compensatory leave. These amounts are expected to be funded by appropriations in future years as they are paid.

9. Expenses by category

In the Statement of Operations, expenses are presented by program activity. The following presents expenses by category.

	2009	2008
	(in thousands of dollars)	
Personnel		
Salaries	2,226,094	2,072,227
Other allowances and benefits (including employee benefits described in Note 7)	1,014,419	846,454
	3,240,513	2,918,681
Accommodation	312,681	290,362
Professional and business services	222,044	210,344
Transportation and communications	201,274	195,354
Federal sales tax administration costs by the Province of Québec	131,732	140,663
Amortization of capital assets (Note 5)	88,377	79,805
Equipment purchases	67,720	55,731
Repair and maintenance	66,298	73,439
Materials and supplies	36,824	39,989
Other services and expenses	27,485	8,857
Loss on disposal/write-off of capital assets	23,947	2,071
Advertising, information and printing services	9,746	6,503
Equipment rentals	5,057	5,962
TOTAL EXPENSES	**4,433,698**	**4,027,761**

10. Non-tax revenue by category

In the Statement of Operations, non-tax revenues are presented by program activity. The following presents non-tax revenues by category. The nature of each category is defined by the treatment permitted from a Parliamentary appropriations perspective.

	2009	2008
	(in thousands of dollars)	
Non-tax revenue credited to Vote 1 – CRA (Operating expenditures)		
Fees for administering the *Employment Insurance Act*	143,419	140,344
Fees for administering the *Canada Pension Plan*	127,512	122,227
	270,931	292,571
Non-tax revenue available for spending		
Services fees	158,965	141,668
Administration fees – provinces and territories	53,501	28,401
Ruling fees	2,060	2,043
Miscellaneous respendable revenue	1,028	956
	215,554	173,068
Non-tax revenue not available for spending		
Recovery of employee benefit costs relating to non-tax revenue credited to Vote 1 and revenue available for spending	48,565	41,650
Miscellaneous non-tax revenue	2,509	2,364
	51,074	44,014
TOTAL NON-TAX REVENUE	**537,559**	**479,653**

11. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency also receives services, which are obtained without charge from other government departments as presented in part a). All related party transactions entered into by the Agency are in the normal course of business and on normal trade terms applicable to all individuals and enterprises.

(a) Services received without charge from other government agencies and departments:

During the year, the Agency received various services without charge from other government agencies and departments. The estimated costs for significant services received without charge include:

	2009	2008
	(in thousands of dollars)	
Employer's contribution to the health and dental insurance plans – Treasury Board Secretariat	187,748	154,143
Legal services – Justice Canada	57,508	50,761
Audit services – Office of the Auditor General of Canada	1,858	2,470
Payroll services – Public Works and Government Services Canada	1,814	1,589
Workers' compensation benefits – Human Resources and Skills Development Canada	1,386	2,090
	250,314	**211,053**

(b) Payables and receivables outstanding at year-end with related parties:

	2009	2008
	(in thousands of dollars)	
Accounts receivable (Note 4)	2,423	17,969
Accounts payable	33,398	12,937

12. Board of Management

Pursuant to the *CRA Act*, a Board of Management is appointed to oversee the organization and administration of the Agency and the management of its resources, services, property, personnel and contracts. Expenses relating to the Board's activities during the year total $1,467,191 (2008 - $1,540,790) and are included in the net cost of operations. This includes payments in respect of the Board of Management, secretariat staff, travel, and other expenses.

13. Contingent liabilities

The Agency is a defendant in certain cases of pending and threatened litigation which arose in the normal course of operations. The current best estimate of the amount to be paid in respect of the cases identified as likely to be lost has been recorded in Accounts payable and accrued liabilities. All other cases, excluding those assessed as unlikely to be lost, are considered contingent liabilities and the related amounts are disclosed whenever the amount of the contingency can be reasonably estimated. As at March 31, 2009, contingent liabilities for claims and pending and threatened litigation have been estimated at $71,920,758 ($64,058,083 as at March 31, 2008).

14. Contractual obligations

The nature of the Agency's activities can result in multiyear contracts and obligations whereby the Agency will be committed to make future payments when the goods are received and/or the services are rendered. Significant contractual obligations, other than lease obligations for capital assets (Note 6), that can be reasonably estimated are as follows:

	2010	2011	2012	2013	2014 and thereafter	Total
			(in thousands of dollars)			
Operating leases	1,442	1,032	88	37	190	2,789

15. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

Financial Statements Discussion and Analysis – Agency Activities

Introduction

This section of the Financial Statements provides unaudited supplementary information on Agency Activities, on an accrual basis, as reported in the audited Financial Statements. It also provides an overview of the Enterprise Risk Management.

Financial Statements Highlights

There are three significant program administration changes which have influenced the results in the Financial Statements.

1. Corporate Tax Administration for Ontario

Under the Memorandum of Agreement Concerning a Single Administration of Ontario Corporate Tax signed on October 6, 2006, the Governments of Canada and Ontario agreed to transfer the administration of Ontario corporate income taxes from the Ontario Ministry of Revenue (OMoR) to the Canada Revenue Agency (CRA) starting in the 2009 taxation year. The CRA received $210.5 million of Federal Government funding over four years (2006-07 to 2009-10) for developmental and transitional costs relating to this initiative. Of this amount, $61.3 million was spent in fiscal year 2008-2009.

To date, the Corporate Tax Administration for Ontario initiative has met all its key milestones. The CRA began receiving blended federal and provincial installment payments from corporations in February 2008. On April 3, 2008, the majority of the administration of Ontario's corporate income tax was transferred to the CRA for taxation years prior to 2008. The CRA started providing integrated audits and other related activities, such as rulings, interpretations, objections and appeals for 2008 and prior taxation years. Over 300 OMoR employees transferred to the CRA to assist with this additional workload.

All necessary agreements are now in place for the CRA to administer the harmonized T2 Corporation Income Tax Returns, starting in 2009.

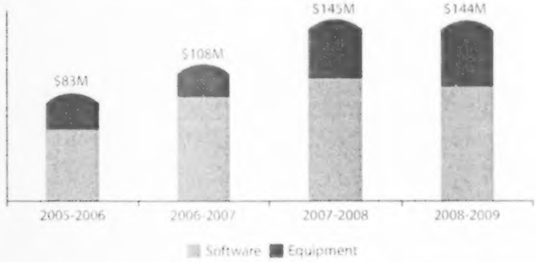
2. Investment in Information Technology (IT) systems

Over the course of fiscal year 2009, the CRA had several large-scale projects that required substantial investments in the development of IT systems. Combined with the acquisition of IT hardware, the Agency has invested $144 million in IT related capital assets this fiscal year.

The value of these new capital assets has been offset by slightly higher depreciation in the year. Large-scale IT projects, by nature, generally require multi-year investments. These incremental investments add to the overall capital assets of the CRA as they occur, however, the associated depreciation of these assets only commences once a project is completed and the system enters production. This contributed to the increase of CRA's depreciation in fiscal year 2009 as completed systems entered production mode and became eligible for depreciation. The total depreciation claimed by CRA in 2009 was $88 million.

The following figure outlines investments in information technology that have been accounted for as capital assets in the last four years.

Figure 18 Information Technology Investment in Capital Assets



3. Increase in non-tax revenue

The CRA financial statements demonstrate a noticeable increase in non-tax revenue of $58 million. The increase is attributable to the provision of IT services to the Canada Border Services Agency and administration fees charged to the province of Ontario relating to the Corporate Tax Administration for Ontario and to the province of British Columbia for the British Columbia Climate Action Tax Credit and Dividend.

Analysis of Net Cost of Operations

The Agency's 2008-2009 net cost of operations increased by $348 million from 2007-2008. Agency expenses totaled $4,434 million in 2008-2009 (2007-2008 - $4,028 million) (see Note 9 of the Financial Statements – Agency Activities for the breakdown of expenses by type). When adjusting for non-tax revenue of $538 million (2007-2008 - $480 million), the net cost of operations amounts to $3,896 million, as illustrated below:

Details on the net cost of operations

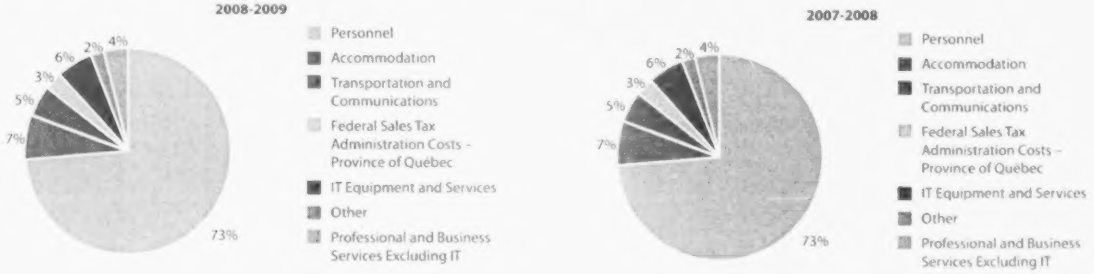
Expenses	**2009**	**2008**
	(in thousands of dollars)	
Personnel	3,240,513	2,918,681
Accommodation	312,681	290,362
IT equipment and services	289,559	244,870
Transportation and communications	201,274	195,354
Professional and business services excluding IT	168,674	160,742
Federal sales tax administration costs – Province of Québec	131,732	140,663
Other	89,265	77,089
Total expenses	**4,433,698**	**4,027,761**
Less: Non-tax revenue	537,559	479,653
Net cost of operations	**3,896,139**	**3,548,108**

The Agency's expenses are composed of 73% in personnel expenses (salaries, other allowances and benefits) and 27% in non-personnel expenses, as illustrated in the figure below.

Personnel expenses are the primary drivers for the Agency. A number of factors contributed to the net increase of $322 million for this type of expenses in 2008-2009. These include salary revisions pursuant to collective agreements provisions, the cost of other allowances and benefits, and increases in the staff complement due to new initiatives, such as the Corporate Tax Administration for Ontario and others announced in recent Federal Budgets.

In total, non-personnel expenses increased by $84 million. Significant elements of non-personnel expenses are made up of accommodations, transportation and communications expenses, which are, for the most part, linked to personnel expenses. The growth of $45 million in information technology costs are linked to increased amortization charges, investment projects, and infrastructure growth and renewal. Federal Goods and Services Tax administration costs by the Province of Québec have returned to more normal levels compared to the previous fiscal year in which the Province incurred higher costs related to the upgrade of their information technology systems.

Figure 19 Total Expenses by Type



Enterprise Risk Management

The purpose of the Enterprise Risk Management (ERM) Program is to ensure that the Agency develops and implements a systematic, comprehensive approach to managing risks as a management function that is fully integrated into the Agency's decision-making, planning and reporting processes and mechanisms.

In support of corporate risk management, the two key ERM products are the *Corporate Risk Inventory* (CRI) and the *CRA Risk Action Plan*. The CRI presents a strategic, high-level snapshot at a point-in-time of the Agency's risk status. The Agency's response to each risk in the CRI is captured in a companion document, the *CRA Risk Action Plan*.

In addition to efforts to align corporate risk information with the Agency's planning and resource allocation cycles, the Agency is making strides to embed risk information and commitments in other key products and processes including the Corporate Business Plan, the Corporate Audit and Evaluation Plan, and the Executive Cadre's Accountability Regime.

Compliance with Legislation, Regulations and Policies

Aside from the legislation that the CRA administers, it is itself subject to a large array of legislation, regulations and policies, such as those related to financial management, accounting and reporting and access to information. To ensure compliance, the CRA has put in place appropriate decision frameworks, systems and procedures in each domain. The Agency also relies on its proven abilities in change and project management to adjust to evolving requirements as they arise.

Resource Optimization

There is a perpetual risk that at any point in time the manner in which the Agency's resources are deployed is sub-optimal. The never-ending changes in the Agency's responsibilities and environment require that it continually adjust the manner in which its resources are utilized. In addition, there is a continual need to balance immediate operational requirements with long-term investment requirements. To mitigate this risk the Agency follows a rigorous financial framework and engages in ongoing processes of reallocation involving the entire senior management team.

Organizational Responsiveness and Resilience

The pace of legislative change, the size and complexity of many of its major undertakings (such as the harmonization of the sales taxes of Ontario and British Columbia with the federal Goods and Services Tax) and all forms of disasters and business interruptions may compromise the Agency's ability to respond to changes in a timely manner. To mitigate these risks, the Agency has built an extensive capability for change and project management across the breadth of its organization. It has also put in place emergency and business continuity plans to ensure an appropriate response in the event of an emergency.

Client, Stakeholder, Taxpayer, and Benefit Recipient Expectations

The many people and organizations served by the Agency have continually evolving needs and expectations with respect to the ways in which they receive service. As a result, the Agency must remain alert to the demands of its environment and adjust its service delivery mechanisms to the extent possible. To mitigate the risk of failure in this endeavour, the Agency continually re-examines its strategies and engages in process re-engineering.

Human Resources Capacity and Capability

The Agency requires a workforce that is among the largest of any federal government entity and that is highly skilled. Maintaining that workforce means dealing with risks associated with ability to recruit and retain people in a competitive environment. Through a host of leading human resource management practices the Agency strives to offer current and potential employees with attractive career opportunities, thus ensuring a continuing high level of capacity and capability.

Knowledge Management

As more and more of the Agency's routine tasks have been automated, its workforce has become increasingly composed of knowledge workers. A continuing challenge is the ability to effectively diffuse knowledge throughout the workforce. There is a risk that failure to surmount this challenge will inhibit the Agency from achieving maximum effectiveness. This is an area of emerging attention within the Agency as it seeks to build on solid training and learning programs.

Employee Ethical Conduct

Unethical employee behaviour can compromise any organization. The Agency holds its employees to the highest ethical standards with a strict Code of Ethics and Conduct and continual efforts to instill a strong commitment to the Code throughout the organization. To deal with any and all breaches that do occur, the Agency has its own investigative capability and discipline processes as well as recourse to appropriate law enforcement agencies.

Protection of Information

Taxpayers and benefit recipients, both individuals and corporations, entrust the Agency with vast quantities of personal and private information. The protection of that information has historically been among the highest priorities of the Agency. Potential threats to the security of information holdings include both inadvertent breaches and deliberate attempts to gain access. The Agency has an extensive system of controls that addresses all known threats. Nevertheless, the Agency must remain vigilant as new threats are constantly emerging.

Information Technology Responsiveness

For many years, the Agency has become increasingly dependent on IT to deliver its programs and services. The Agency's numerous programs are underpinned by very complex technology and new applications are becoming more and more sophisticated. Key success factors include solid IT governance (clear roles and responsibilities) as well as good alignment between operating units and IT. The Agency continues to improve its project management approaches, particularly at the requirements definition stage, in order to ensure that the partnership between operating units and IT specialists results in maximum value added.

Information Technology Sustainability

The Agency has a massive investment in IT hardware and software assets. Many of the most important applications are custom built. Keeping these assets up-to-date and in good repair after initial acquisition requires a very large investment of resources and sound strategies for prioritizing maintenance and renewal projects. Failure to make the necessary investments could be disastrous for the Agency and its stakeholder governments. The Agency has become increasingly sophisticated in its planning and execution of sustainability investments, but is far from complacent about the residual risk that it faces.

Audited Financial Statements – Administered Activities

Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Board of Management of the Canada Revenue Agency
and the Minister of National Revenue

I have audited the statement of administered assets and liabilities of the Canada Revenue Agency as at March 31, 2009 and the statements of administered revenues, administered expenses and recoveries and administered cash flows for the year then ended. This financial information is the responsibility of the Agency's management. My responsibility is to express an opinion on this financial information based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In my opinion, these statements present fairly, in all material respects, the administered assets and liabilities of the Canada Revenue Agency as at March 31, 2009 and the results of its administered operations and its cash flows for the year then ended in accordance with the accounting policies set out in Note 2 to the statements.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Ottawa, Canada
August 20, 2009

Canada Revenue Agency
Statement of Administered Assets and Liabilities

as at March 31
(in thousands of dollars)

	2009	2008
ADMINISTERED ASSETS		
Cash on hand	4,857,057	5,472,607
Amounts receivable from taxpayers (net of allowance for doubtful accounts of $9,347,081 in 2009 and $8,612,494 in 2008) (Note 3)	70,147,779	64,527,046
Amounts receivable under the Tobacco civil settlements (Note 4)	699,900	–
TOTAL ASSETS	**75,704,736**	**69,999,653**
ADMINISTERED LIABILITIES		
Amounts payable to taxpayers (Note 5)	50,850,197	48,997,229
Amounts payable to provinces (Note 6)	708,521	322,097
Deposit accounts (Note 7)	107,804	103,068
	51,666,522	49,422,394
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others (Note 8)	24,038,214	20,577,259
TOTAL LIABILITIES	**75,704,736**	**69,999,653**

Contingent liabilities (Note 9)

The accompanying notes form an integral part of these financial statements.

Approved by:

William V. Baker
Commissioner and Chief Executive Officer

Sylvie Tessier, ICD.D
Director and Interim Chair,
Board of Management

Canada Revenue Agency
Statement of Administered Revenues

for the year ended March 31
(in thousands of dollars)

	2009	2008
Federal administered revenues		
Income Tax Revenues		
Personal and trust	116,124,037	113,157,564
Corporate	29,475,891	40,627,679
Non-resident tax withholdings	6,297,910	5,692,904
	151,897,838	159,478,147
Other Taxes, Duties and Charges		
Goods and Services Tax (Note 10)	9,520,763	11,547,915
Energy taxes	5,126,184	5,047,662
Other Excise taxes and duties	2,984,023	3,156,001
Miscellaneous charges (Note 11)	599,846	807,621
	18,230,816	20,559,199
Total Tax Revenues	170,128,654	180,037,346
Employment Insurance Premiums	17,217,052	16,877,137
Interest, penalties and other revenues (Note 12)	5,249,952	5,198,578
Revenues Administered on behalf of the Government of Canada	**192,595,658**	**202,113,061**
Interest expense	(1,839,418)	(1,055,683)
Net Revenues Administered on behalf of the Government of Canada	**190,756,240**	**201,057,378**
Provincial and Territorial Governments and First Nations administered revenues		
Income Tax Revenues		
Personal and trust	50,505,062	50,249,280
Corporate (Note 13)	7,963,465	4,834,497
	58,468,527	55,083,777
Harmonized Sales Tax	956,460	1,039,154
Other revenues (Note 14)	767,855	235,801
Revenues Administered on behalf of Provincial and Territorial Governments and First Nations	**60,192,842**	**56,358,732**
Pension Contributions, Interest and Penalties Administered on behalf of the Canada Pension Plan (Note 15)	**36,545,498**	**35,437,908**
Total Administered Revenues	**287,494,580**	**292,854,018**
Other revenues paid or payable directly to provinces as received by the CRA (Note 6 and Note 14)	(751,634)	(219,507)
Total Net Administered Revenues	**286,742,946**	**292,634,511**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Administered Expenses and Recoveries

for the year ended March 31
(in thousands of dollars)

	2009	2008
Federal administered expenses		
Child tax benefits	9,367,790	9,419,853
Universal child care benefits	2,532,532	2,474,298
Children's special allowances	211,848	208,163
Relief for heating expenses	871	1,161
Energy cost benefits	489	992
Transfers to provinces for Softwood Lumber products export charge	180,495	397,073
Provision for doubtful accounts (Note 3)	3,149,498	3,895,042
Federal administered recoveries		
Old Age Security benefits	(949,595)	(963,098)
Employment Insurance benefits	(179,009)	(154,427)
Net Expenses and Recoveries Administered for the Federal Government	**14,314,919**	**15,279,057**
Provincial and Territorial administered expenses		
Family benefit programs	474,000	329,382
British Columbia low income climate action tax credit	107,696	–
Ontario senior homeowners' property tax grant	72,542	–
Sales tax credits	98,083	52,828
British Columbia climate action dividend	12,064	391,341
Ontario home electricity payments	(146)	2,247
Alberta resource rebate	(19)	2,032
Net Expenses Administered for Provinces and Territories	**764,220**	**777,830**
Provision for doubtful accounts Administered for the Canada Pension Plan (Note 3)	**39,107**	**92,224**
Total Net Administered Expenses and Recoveries	**15,118,246**	**16,149,111**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Statement of Administered Cash Flows

for the year ended March 31
(in thousands of dollars)

	2009	2008
Total Net Administered Revenues	286,742,946	292,634,511
Total Net Administered Expenses and Recoveries	(15,118,246)	(16,149,111)
Change in administered assets and liabilities:		
Cash on hand	615,550	(2,022,760)
Amounts receivable from taxpayers net of allowance for doubtful accounts	(5,620,734)	670,137
Amounts receivable under the Tobacco civil settlements	(699,900)	-
Amounts payable to taxpayers	1,852,969	7,643,768
Amounts payable to provinces	386,424	(92,981)
Deposit accounts	4,736	46,141
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**268,163,745**	**282,729,705**
Consisting of:		
Cash deposits to the Consolidated Revenue Fund	365,536,178	367,470,419
Cash refunds/payments from the Consolidated Revenue Fund	(97,372,433)	(84,740,714)
Net Cash Deposited in the Consolidated Revenue Fund of the Government of Canada	**268,163,745**	**282,729,705**

The accompanying notes form an integral part of these financial statements.

Canada Revenue Agency
Notes to the Financial Statements – Administered Activities

1. Authority and objectives

The Canada Revenue Agency (the "Agency") is an agent of Her Majesty in right of Canada under the *Canada Revenue Agency Act (CRA Act)*. The Agency is a departmental corporation named in Schedule II of the *Financial Administration Act* and reports to Parliament through the Minister of National Revenue.

The mandate of the Agency is to support the administration and enforcement of tax legislation as well as other related legislation. The Agency provides support, advice and services by:

(a) supporting the administration and enforcement of the program legislation;

(b) implementing agreements between the Government of Canada or the Agency and the government of a province or other public body performing a function of government in Canada to carry out an activity or administer a tax or program;

(c) implementing agreements or arrangements between the Agency and departments or agencies of the Government of Canada to carry out an activity or administer a program; and

(d) implementing agreements between the Government of Canada and First Nations governments to administer a tax.

The Agency collects revenues, including income and sales taxes and Employment Insurance (EI) premiums, administers tax legislation, delivers a number of social benefit programs to Canadians for the federal government, as well as for provincial, territorial, and First Nations governments and collects amounts for other groups or organizations, including Canada Pension Plan (CPP) contributions. It is responsible for the administration and enforcement of the following acts or parts of acts: the *Air Travellers Security Charge Act*, the *CRA Act*, the *Children's Special Allowances Act*, Part V.1 of the *Customs Act*, section 2 of the *Energy Costs Assistance Measures Act*, the *Excise Act*, the *Excise Tax Act* (including the Goods and Services Tax (GST) and the Harmonized Sales Tax (HST) except for GST/HST on imported goods), the *Excise Act, 2001*, the *Income Tax Act*, the *Softwood Lumber Products Export Charge Act, 2006*, the *Universal Child Care Benefit Act*, and others including various provincial acts.

In the province of Quebec, the Ministère du Revenu du Québec (MRQ) acts as an agent of the Agency for the administration and enforcement of the GST. The Agency monitors cash transfers made by the MRQ, reports the GST revenues administered on its behalf, and transfers funds out of the Consolidated Revenue Fund to the MRQ for the issuing of refunds.

The Agency's mandate regarding the administration of customs legislation is limited to the collection functions under Part V.1 of the *Customs Act*. As well, the Agency provides to Human Resources and Skills Development Canada (HRSDC) collection services for certain accounts receivable under various acts.

2. Summary of significant accounting policies

The financial statements – Agency Activities include those operational revenues and expenses, which are managed by the Agency and utilized in running the organization. Tax-related assets, liabilities, revenues and expenses are excluded from those financial statements because they can only accrue to a government, not the tax agency that administers those transactions. The purpose of these Administered Activities statements is to present information about the tax-related revenues, expenses, assets, and liabilities that CRA administers on behalf of the federal government, provincial and territorial governments, and other organizations.

As required by section 88(2)(a) of the *CRA Act*, CRA reports against accounting principles that are consistent with those applied in the preparation of the financial statements of the Government of Canada. As such, the CRA Administered Activities stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles. A summary of the significant accounting policies follows:

(a) Revenue recognition

Revenues are recognized in the year in which the event that generates the revenue occurs. The following policies are applied for specific revenue streams:

(i) Income taxes, Canada Pension Plan contributions, and Employment Insurance premiums:

Income tax revenues are recognized when the taxpayer has earned the income subject to the tax. Income earned is determined net of tax deductions and credits allowed under the *Income Tax Act*, including refundable taxes resulting from current year activity. Canada Pension Plan (CPP) contributions are recognized when the employee or the self-employed person has earned pensionable income. Employment Insurance (EI) premiums are recognized as revenue when the employee has earned insurable earnings.

These revenues are measured from amounts assessed/reassessed and from estimates of amounts not yet assessed/reassessed based on cash received that relates to the fiscal year ended March 31. Revenues for the fiscal year also include adjustments between the estimated revenues of previous years and actual amounts, as well as revenues from reassessments relating to prior years. An additional estimate of future reassessments is only recorded when it can be reliably determined. At the present time, this is limited to cases where amounts for taxes previously assessed are under objection or are being appealed to various courts.

Reassessments include changes made to previously assessed taxes payable at the request of the taxpayer, for example to claim a subsequent loss carry-back, or are initiated by the Agency as a result of applying reporting compliance procedures such as taxpayer audits.

(ii) Other taxes, duties and charges:

Goods and Services Tax (GST) and Harmonized Sales Tax (HST) revenues on domestic goods and services are recognized at the time of the sale of goods or the provision of services. Revenues are reported net of the Input Tax Credits (ITC), GST rebates, and the GST quarterly tax credit. ITC are the recovery of GST/HST paid or owed on purchases related to domestic and imported commercial activities of the taxpayer. The GST quarterly tax credit for low income individuals and families is recorded in the period to which it relates. It is intended to offset the cost of the tax for low income individuals and families.

For Excise taxes, revenue is recognized when a taxpayer sells goods taxable under the *Excise Tax Act*. For Excise duties, revenue is recognized when the taxpayer manufactures goods taxable under the *Excise Act* and the *Excise Act, 2001*. These revenues are measured from amounts assessed, and from estimates of amounts not yet assessed based on cash received that relate to the fiscal year ended March 31. Miscellaneous charges are recognized as revenue when they are earned by the Agency.

(iii) Interest, penalties and other revenues:

Interest, penalties and other revenues are recorded when earned, except for the Nova Scotia worker's compensation which is recorded as revenue when the payments are received from the employers. All interest and penalty revenues are reported as revenues administered for the federal government as per the terms of the tax collection agreements with the provinces and territories. Interest and penalties are recorded net of amounts waived under the various tax acts.

(iv) Assessment definition:

An assessment (or reassessment) of tax is defined as all decisions and other steps made or taken by the Minister of National Revenue and officials of the Agency under the federal, provincial and territorial acts or sections of the acts administered by the Agency to determine tax payable by taxpayers. When verifying a taxpayer's return, the Agency uses applicable provisions of the various tax acts it administers as well as other internally developed criteria which are designed to substantially meet the provisions of these acts.

(v) Completeness of tax revenues:

The Canadian tax system is predicated on self-assessment where taxpayers are expected to understand the tax laws and comply with them. This has an impact on the completeness of tax revenues when taxpayers fail to comply with tax laws, for example, if they do not report all of their income. The Agency has implemented systems and controls in order to detect and correct situations where taxpayers are not complying with the various acts it administers. These systems and controls include performing audits of taxpayer records where determined necessary by the Agency. Such procedures cannot be expected to identify all sources of unreported income or other cases of non-compliance with tax laws. The Agency is unable to estimate the amount of unreported tax.

(b) Expenses

(i) Interest expense:

The Agency incurs interest expenses as a result of late refund payments. These are largely due to the resolution of long standing corporate tax files in favour of the taxpayer. Interest accrues from the date that the tax instalment was initially paid to the date that the case is resolved. The Agency records the interest expense in the fiscal year to which it relates.

(ii) Administered expenses:

Expenses relating to child tax benefits, universal child care benefits, energy cost benefits, children's special allowances, relief for heating expenses and provincial and territorial administered expenses are recorded in the year to which they relate based on the period in which the recipients were determined to be entitled to receive the benefit or the allowance. Transfers to provinces for softwood lumber products export charge are recorded as an expense in the same year as the related softwood lumber products export charge revenues are recognized.

(iii) Administered recoveries:

Recoveries of Old Age Security and Employment Insurance benefits are recognized when assessed, with an estimate for amounts not yet assessed. Only recoveries assessed through the personal income tax system are reported by the Agency. Recoveries determined by other federal government departments are not reported in these financial statements.

(c) Cash on hand

Cash on hand represents amounts received in the Agency's offices or by agents of the Agency as at March 31 but not yet deposited to the credit of the Consolidated Revenue Fund of the Government of Canada.

(d) Amounts receivable from taxpayers

Amounts receivable from taxpayers represent taxes, interests and penalties and other revenues assessed or estimated by the Agency but not yet collected. A significant portion of the receivable balance is due to the recording of accrued receivables, which relate to the current fiscal year but are not due to be paid by taxpayers until the next fiscal year.

(e) Allowance for doubtful accounts

The allowance for doubtful accounts reflects management's best estimate of the collectability of amounts assessed, including the related interest and penalties, but not yet paid. The allowance for doubtful accounts has two components. A general allowance is calculated based on the age of the accounts. A specific allowance is calculated based on an annual review of all accounts over $10 million.

The allowance for doubtful accounts is adjusted by an annual provision for doubtful accounts and is reduced by amounts written off as uncollectable during the year. The annual provision is reported in the Statement of Administered Expenses and Recoveries. Except for the portion related to CPP contributions, which is charged to the CPP Account, the provision is charged to expenses administered for the federal government as it assumes all collection risks, as per the terms of the tax collection agreements with the provinces, territories and First Nations.

(f) Amounts payable to taxpayers

Amounts payable to taxpayers represent refunds and related interest assessed, or estimated by the Agency, not paid as at March 31. A significant portion of the payable is due to the recording of accrued payables, which relate to the current year but are not due for payment until the next fiscal year. They include refunds resulting from assessments completed after March 31, and estimates of refunds for personal and corporate income tax not yet assessed.

(g) Contingent liabilities

Contingent liabilities are potential liabilities resulting from, for example, previously assessed taxes recorded as revenue, which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or to fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(h) Measurement uncertainty

The preparation of these statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses and recoveries reported. Estimates are used to record unassessed tax revenues and the related amounts receivable and payable, as well as the allowance for doubtful accounts. Actual results could differ from the estimates and any difference would be recorded in the year the actual amounts are determined. The effect of changes to such estimates and assumptions in future periods could be significant. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable.

3. Amounts receivable from taxpayers

The following table presents details of the amounts receivable from taxpayers as reported in the Statement of Administered Assets and Liabilities. These amounts include related interest and penalties receivable. Amounts receivable from individuals and employers include Canada Pension Plan contributions and Employment Insurance premiums as applicable.

	2009			2008
	Gross	Allowance for Doubtful Accounts	Net	Net
		(in thousands of dollars)		
Income Taxes				
Individuals	42,233,169	(4,355,642)	37,877,527	33,325,705
Employers	14,403,509	(725,057)	13,678,452	13,146,274
Corporations	12,163,616	(1,770,430)	10,393,186	9,230,315
Non-Residents	1,235,233	(151,369)	1,083,864	936,673
GST	8,482,546	(2,291,577)	6,190,969	7,099,128
Excise taxes and duties and miscellaneous charges	976,787	(53,006)	923,781	788,951
Total	**79,494,860**	**(9,347,081)**	**70,147,779**	**64,527,046**

Changes in the allowance for doubtful accounts are as follows:

	Allowance for Doubtful Accounts April 1, 2008	Provision for Doubtful Accounts	Write-Offs	Allowance for Doubtful Accounts March 31, 2009
		(in thousands of dollars)		
Income Taxes				
Individuals	(3,837,980)	(1,492,282)	974,620	(4,355,642)
Employers	(767,757)	(117,535)	160,235	(725,057)
Corporations	(1,456,133)	(837,553)	523,256	(1,770,430)
Non-Residents	(179,674)	20,410	7,895	(151,369)
GST	(2,083,936)	(787,174)	579,533	(2,291,577)
Excise taxes and duties and miscellaneous charges	(287,014)	25,529	208,479	(53,006)
Total	**(8,612,494)**	**(3,188,605)**	**2,454,018**	**(9,347,081)**

The provision of $3,189 million ($3,987 million in 2008) reported above includes an amount of $3,150 million ($3,895 million in 2008) recorded as an expense administered on behalf of the federal government (see Note 2 (e)) and $39 million ($92 million in 2008) charged against expenses administered on behalf of the Canada Pension Plan.

4. Amounts receivable under the Tobacco civil settlements

On July 31, 2008, the federal and provincial governments entered into civil settlement agreements with two tobacco companies to resolve potential civil claims. Under the terms of the agreements, payments totalling $850 million are to be made to Canada, for Canada and the provinces. The federal government and provincial governments' share of this amount are $325 million and $525 million respectively. The two companies also pleaded guilty in court to violation of the Excise Act. The fines imposed total $300 million and are payable to Canada. The entire court fines and an initial payment of $150 million from the civil settlements were received during the year.

The following table presents details of the amounts related to the Tobacco civil settlement agreements and the court fines:

	Government of Canada share	Provincial share	Total
		(in thousands of dollars)	
Settlement Amounts	324,900	525,000	849,900
Court Fines	300,000	–	300,000
	624,900	525,000	1,149,900
Amounts received during the year			
Settlement Amounts	–	150,000	150,000
Court Fines	300,000	–	300,000
	300,000	150,000	450,000
Receivable as at March 31	**324,900**	**375,000**	**699,900**

In accordance with the settlement agreements, the amounts receivable are expected to be fully paid by 2023, based on a payment schedule of approximately $65 million per year for 10 years and $10 million per year for the following five years. These amounts are presented at the nominal value.

5. Amounts payable to taxpayers

The following table presents details of the amounts payable to taxpayers as reported in the Statement of Administered Assets and Liabilities:

	2009	2008
	(in thousands of dollars)	
Individuals, Employers, and Non-Residents	30,447,783	29,788,021
Corporations	13,217,459	11,406,118
GST	7,156,277	7,768,233
Excise taxes and duties and miscellaneous charges	28,678	34,857
Total	**50,850,197**	**48,997,229**

6. Amounts payable to provinces

The following table presents details of amounts payable to provinces as reported in the Statement of Administered Assets and Liabilities:

	2009	2008
	(in thousands of dollars)	
Provincial share of the Tobacco civil settlements	375,000	–
Softwood Lumber Products Export Charge net of costs incurred by the Federal Government	13,225	63,403
Amounts payable to Quebec:		
Personal income tax witholdings	210,567	199,043
GST refunds issued by Quebec	77,119	57,687
Nova Scotia worker's compensation	773	1,177
Ontario corporate tax and Opportunities Fund	31,837	787
Total	**708,521**	**322,097**

It should be noted that the Canada Revenue Agency is acting as an agent for the provinces under the Tobacco civil settlements. CRA's liability to the provinces for their expected share of the settlement amounts is limited to the amounts that will be ultimately collected from the tobacco companies.

Amounts payable to provinces, territories and other organizations, which are settled by other departments such as the Department of Finance for Provincial, Territorial, and First Nations taxes, are not recorded in these financial statements because these amounts are outside of the Agency's responsibility.

7. Deposit accounts

Deposit accounts are established to record cash and securities required to guarantee payment of GST as it relates to non-resident registrants and certain licensees as it relates to excise taxes, which are both payable pursuant to the *Excise Tax Act*. The following table presents activity on the deposit accounts as reported in the Statement of Administered Assets and Liabilities:

	2009	2008
	(in thousands of dollars)	
Balance, beginning of year	104,791	58,652
Receipts and other credits	41,687	115,753
Payments and other charges	(38,280)	(69,614)
Balance, end of the year	**108,198**	**104,791**
Securities held in trust	(394)	(1,723)
Net deposit accounts	**107,804**	**103,068**

8. Net amount due to the Consolidated Revenue Fund

The net amount due to the Consolidated Revenue Fund (CRF) on behalf of the Government of Canada and others is the difference between administered assets (taxes not yet received and/or deposited in the CRF) and other administered liabilities payable by the Agency out of the CRF.

The net cash deposited in the CRF of the Government of Canada includes amounts received on behalf of the federal government, provinces, territories, and other organizations by the Agency and deposited in the CRF, less refunds and payments issued from the CRF during the year.

The change in the net amount due to the CRF during the fiscal year is presented in the table below:

	2009	2008
	(in thousands of dollars)	
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the beginning of the year	20,577,259	26,821,564
Total net administered revenues	286,742,946	292,634,511
Total net administered expenses and recoveries	(15,118,246)	(16,149,111)
Net cash deposited in the Consolidated Revenue Fund of the Government of Canada	(268,163,745)	(282,729,705)
Net amount due to the Consolidated Revenue Fund on behalf of the Government of Canada and others at the end of the year	**24,038,214**	**20,577,259**

9. Contingent liabilities

Contingent liabilities include previously assessed taxes where amounts are under objection or are being appealed to the Tax Court of Canada, the Federal Court of Canada or the Supreme Court of Canada. As at March 31, 2009, an amount of $13,778 million was under objection at the Agency level ($10,353 million for 2008) and an amount of $2,429 million was being appealed to the courts ($2,134 million for 2008). The Agency has recorded, in the amounts payable to taxpayers or in reduction of the amounts receivable from taxpayers as applicable, the estimated amount of objections or appeals that are considered likely to be lost and that can be reasonably estimated.

10. Goods and Services Tax (GST) revenues

The GST reported on the Statement of Administered Revenues is net of Input Tax Credits (ITC), rebates and the GST quarterly tax credit for low income individuals and families administered by the Agency. It does not include GST revenues on imported goods of $17,500 million in 2009 ($19,643 million in 2008), which are administered and reported by the Canada Border Services Agency (CBSA). The Canada Revenue Agency has sole responsibility for the administration of all ITC including those claimed on imported goods. ITC relating to GST on imports are not accounted for separately from ITC relating to GST on domestic transactions.

The following table presents details of the GST revenues administered by the Agency for the Government of Canada as reported in the Statement of Administered Revenues:

	2009	2008
	(in thousands of dollars)	
GST revenues net of ITC	17,813,043	20,135,983
GST rebates	(4,724,696)	(5,078,511)
GST quarterly tax credits for low income individuals and families	(3,567,584)	(3,509,557)
GST net revenues	**9,520,763**	**11,547,915**

11. Miscellaneous charges

The following table presents details of miscellaneous charges administered by the Agency for the federal government as reported in the Statement of Administered Revenues:

	2009	2008
	(in thousands of dollars)	
Softwood Lumber Products Export Charge	209,744	421,770
Air Travellers Security Charge	386,461	385,713
Charge on Refund of Duty Deposits for Softwood Lumber	3,641	138
Total	**599,846**	**807,621**

The Agency, pursuant to the *Softwood Lumber Products Export Charge Act, 2006*, assessed $3,641 thousand of charges on one-time refunds of certain softwood lumber related duty deposits paid to the United States in 2009 ($138 thousand in 2008). These charges relate only to specified persons that did not elect to sell their rights to the duty deposit refund through the alternative refund mechanism managed by the Government of Canada.

12. Interest, penalties, and other revenues

Various tax legislation gives the Agency the authority, under certain conditions, to collect interest and penalties related to taxes due and regulations not met by taxpayers. The Agency has the authority to waive the interest and penalties that would normally be charged under certain circumstances such as Agency processing delays, financial hardship by taxpayers, or other extraordinary circumstances.

Other revenues consist of miscellaneous fees and charges such as court fines and administration charges for dishonoured payments instruments.

The following table presents details on interest, penalties and other revenues administered by the Agency for the federal government as reported in the Statement of Administered Revenues:

	2009	2008
	(in thousands of dollars)	
Gross interest and penalties	4,907,235	5,504,207
Interest and penalties waived under authority of the *Income Tax Act*	(295,756)	(320,565)
Net interest and penalties	**4,611,479**	**5,183,642**
Tobacco civil settlements	324,900	–
Fines imposed under the *Excise Act*	300,000	–
Other revenues	13,573	14,936
Interest, penalties and other revenues	**5,249,952**	**5,198,578**

13. Corporate income tax administered for the provinces

Under a revised Ontario Tax Collection Agreement, signed during the year, the Canada Revenue Agency administers Ontario's corporate income tax, capital tax, corporate minimum tax and the special additional tax on life insurance corporations for taxation years ending after December 31, 2008. The Agency started receiving Ontario corporate income tax instalments in February 2008 and has also started to assess corporate income tax returns including both federal and Ontario corporate income taxes. The Agency recorded corporate tax administered for the province of Ontario as well as the other provinces for which it administers taxes in these financial statements in accordance with the accounting policies described at Note 2.

14. Other revenues

The following table presents details of other revenues administered by the Agency for Provincial and Territorial Governments and First Nations as reported in the Statement of Administered Revenues. Revenues that are directly paid or payable to the provinces as received by the CRA, such as the Tobacco civil settlement amounts and the Nova Scotia workers' compensation amounts, are flow-through collection activities rather than payments made under legislative authority. These amounts are included as administered revenue and then subsequently deducted from the Statement of Administered Revenues.

	2009	2008
	(in thousands of dollars)	
Tobacco civil settlements	525,000	–
Nova Scotia workers' compensation	226,518	219,333
Ontario Opportunities Fund	116	174
Total revenues paid or payable directly to provinces as received by the CRA	**751,634**	**219,507**
First Nations Sales Tax and GST	14,803	14,742
First Nations Income Tax	1,418	1,552
Total	**767,855**	**235,801**

15. Pension Contributions, Interest and Penalties Administered on Behalf of the Canada

The following table presents details of the transactions administered by the Agency on behalf of the Canada Pension Plan (CPP) as reported in the Statement of Administered Revenues:

	2009	2008
	(in thousands of dollars)	
Pension Contributions	36,365,793	35,251,900
Interest and penalties	179,705	186,008
Total	**36,545,498**	**35,437,908**

16. Related party transactions

The Agency is related in terms of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Agency deposits all monies received to the CRF, the Department of Finance makes payments out of the CRF to provinces, territories, and other organizations for revenue amounts such as provincial, territorial, and First Nations taxes, for which the Agency administers the revenue collection process. Old Age Security benefit recoveries, Canada Pension Plan contributions, net of overpayments refunded by the Agency, and Employment Insurance premiums are credited to Human Resources and Skills Development Canada (HRSDC) which administers the Old Age Security program, the Canada Pension Plan, and the Employment Insurance Account. The Agency also administers a refund set-off program by which tax refunds of individuals may be used to pay debts owed by clients under federal, provincial or territorial programs.

The Agency provides collection services to CBSA under Part V.I of the *Customs Act*. As well, the Agency provides to HRSDC collection services for certain accounts receivable under the *Canada Education Savings Act*, the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act*, the *Canada Pension Plan* and the *Old Age Security Act*. The related payments are paid directly to either CBSA or HRSDC who are responsible for their deposits to the CRF, as well as their accounting and reporting. These payments are not recorded in the Agency's accounts.

Employment Insurance premiums administered on behalf of the Federal Government include the employer's share paid by the Federal Government. GST declared to the Agency includes the GST paid by the Federal Government to its suppliers on domestic purchases. GST collected by other Federal Government departments is deposited to the CRF, declared to the Agency, and are included in the GST domestic revenues.

17. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation used in the current year.

Financial Statements Discussion and Analysis – Administered Activities

Introduction

The Financial Statements – Administered Activities reflect the total assets and liabilities, tax and non-tax revenues, expenses and recoveries, and cash flows administered by the Canada Revenue Agency on behalf of the Government of Canada, provinces, territories, First Nations, and other government organizations. Tax revenues are recognized on an accrual basis and are net of the applicable deductions and credits allowed under various Acts.

Tax Revenues

The Canada Revenue Agency collects the majority of Federal Tax Revenues. However, other agencies and departments, such as the Canada Border Services Agency, account for the balance of total Federal Revenues. For further information on revenue collected by the Government of Canada as a whole, please refer to the Annual Financial Report of the Government of Canada, available at www.fin.gc.ca/purl/afr-eng.asp.

Revenues Administered on Behalf of the Government of Canada

Federal Administered Revenues ($000)	**2008-2009**	**2007-2008**	**+/-**	**%**
Income Tax				
Personal and trust	116,124,037	113,157,564	2,966,473	2.6%
Corporate	29,475,891	40,627,679	(11,151,788)	-27.4%
Non-resident tax withholdings	6,297,910	5,692,904	605,006	10.6%
	151,897,838	159,478,147	(7,580,309)	-4.8%
Other Taxes, Duties and charges				
Goods and Services Tax	9,520,763	11,547,915	(2,027,152)	-17.6%
Energy Taxes	5,126,184	5,047,662	78,522	1.6%
Other Excise taxes and duties	2,984,023	3,156,001	(171,978)	-5.4%
Miscellaneous charges	599,846	807,621	(207,775)	-25.7%
	18,230,816	20,559,199	(2,328,383)	-11.3%
Employment Insurance Premiums	17,217,052	16,877,137	339,915	2.0%
Interest, penalties, and other revenues	5,249,952	5,198,578	51,374	1.0%
Interest expense	(1,839,418)	(1,055,683)	(783,735)	74.2%
	20,627,586	21,020,032	(392,446)	-1.9%
Net Revenues Administered on behalf of the Government of Canada	**190,756,240**	**201,057,378**	**(10,301,138)**	**-5.1%**

Net Revenues were $190.8 billion in 2008/2009, some $10.3 billion lower than in 2007/2008. All administered revenues were lower except Personal and Trust Taxes, Non-Resident Tax Withholdings, Energy Taxes, Employment Insurance Premiums, and Interest, penalties, and other revenues.

Personal Income Tax

Personal Income Tax revenues increased by $3.0 billion, or 2.6%. This increase is primarily due to the refinement of the estimation methodology and, to a lesser extent, moderate employment growth. This is partially offset by tax relief measures announced in Budget 2009 and previous budgets.

Corporate Income Tax

Corporate Income Tax revenues decreased by $11.2 billion or 27.4%. This decrease reflects the impact of global financial volatility, resulting in large losses carried back as well as lower overall corporate revenues. In addition, revenues decreased due to federal tax relief measures that took effect in 2008.

Non-Resident Tax Withholdings

Non-Resident Tax Withholdings revenues increased by $605 million or 10.6%. This growth is consistent with the 12.5% growth in foreign direct investment in Canada in 2007.

Goods and Services Tax

GST revenues decreased by $2.0 billion or 17.6%. This decline is due in large part to the January 2008 cut in the GST rate. This reduction was further aggravated by a decline in net GST revenues from the resource sector.

Energy Taxes

Energy taxes rose by $78.5 million or 1.6%. This increase is attributable to higher demand for motive fuel, offset in part by lower demand for diesel fuel.

Other Excise taxes and duties

Other Excise taxes and duties decreased by $172.0 million or 5.4%. This decline is due to lower tobacco duty revenues and lower Green Levy excise revenues on certain classes of automobiles.

Miscellaneous charges

Miscellaneous charges decreased by $207.8 million or 25.7%. This reflected a drop in the Softwood Lumber Products Export Charge, which declined due to a 30% reduction in export volume, as well as additional refunds made to the industry.

Employment Insurance Premiums

Employment Insurance premiums increased by $339.9 million or 2.0%. This is due to moderate employment growth and an increase in the insurable earnings threshold, partially offset by a decline in the premium rate in 2008.

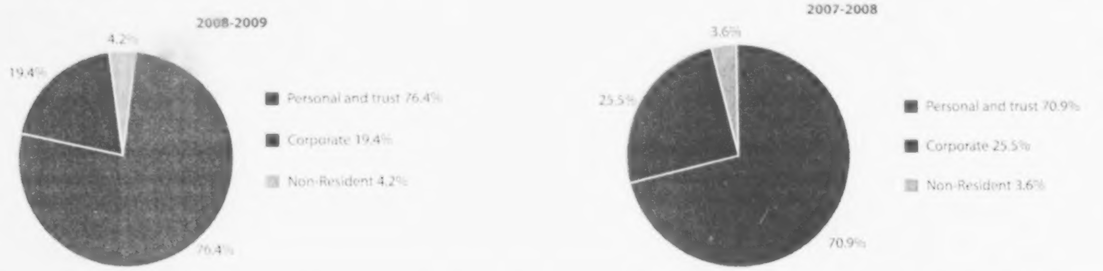
Interest, penalties, and other revenues

Interest, penalties, and other revenues rose by $51.4 million or 1.0%. This increase is due to revenues and court fines from the Tobacco civil settlement agreements, partially offset by lower revenues from interest and penalties. Interest revenues decreased due to lower prescribed interest rates and a reduction in corporate revenues.

Interest Expense

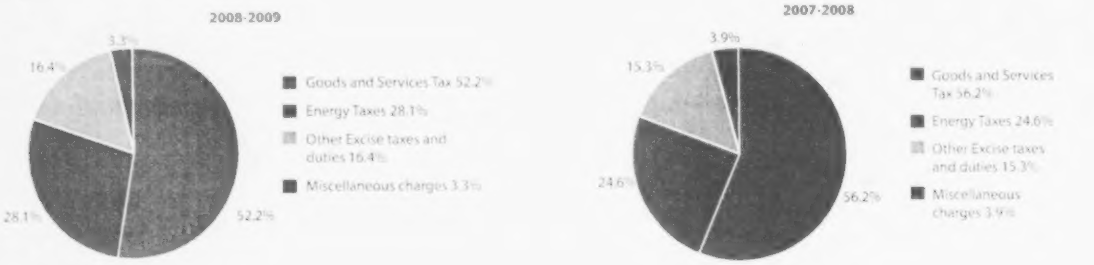
Interest Expense rose by $783.7 million or 74.2%. The growth is attributable to a change in accounting policies used to accrue interest expense on corporate credit balances. This was further augmented by a large corporate reassessment. However, it was partially offset by lower prescribed interest rates.

Figure 20 Direct Tax Revenues



As shown in Figure 20, the largest component of Direct Tax Revenues is Personal and Trust Income Tax, followed by Corporate Income Tax and Non-Resident Tax Withholdings. The proportion of Personal Income Tax has increased from the previous year due to the significant decline in Corporate Income Tax revenues.

Figure 21 Indirect Tax Revenues



As shown in Figure 21, the largest component of Indirect Tax Revenues is GST, followed by Energy taxes, Other Excise taxes and duties, and Miscellaneous charges. Although these proportions were generally stable compared to the previous year, the proportion of GST decreased due to the January 2008 cut in the GST rate.

Revenues Administered on Behalf of the Provincial, Territorial Governments, First Nations and the Canada Pension Plan

Provincial and Territorial Governments First Nations and Canada Pension Plan ($000)	**2008-2009**	**2007-2008**	**+/-**	**%**
Income Tax – Personal and trust	50,505,062	50,249,280	255,782	0.5%
Income Tax – Corporate	7,963,465	4,834,497	3,128,968	64.7%
Harmonized Sales Tax	956,460	1,039,154	(82,694)	-8.0%
Other revenues	767,855	235,801	532,054	225.6%
Revenues Administered on behalf of Provincial and Territorial Governments and First Nations	60,192,842	56,358,732	3,834,110	6.8%
Pension Contributions, Interest and Penalties Administered on Behalf of the Canada Pension Plan	36,545,498	35,437,908	1,107,590	3.1%

Provincial, Territorial, and First Nations Revenues were $60.2 billion in 2008/2009, some $3.8 billion higher than in 2007/2008. Canada Pension Plan Revenues were $36.5 billion in 2008/09; $1.1 billion higher than in 2007/2008.

Income Tax Revenues – Personal and Trust

Personal Income Tax revenues increased by $255.8 million, or 0.5%. The increase is primarily due to the refinement of the estimation methodology and, to a lesser extent, moderate employment growth. This is partially offset by lower effective provincial tax rates.

Income Tax Revenues – Corporate

Corporate Income Tax revenues increased by $3.1 billion or 64.7%. This increase is largely due to the implementation of the harmonized corporate tax administration of Ontario in 2009. However, this was offset in part by the impact of global financial volatility, resulting in lower overall corporate revenues. Some large losses carried back that affected federal corporate revenues (see Federal Corporate) had little impact on provincial corporate revenues as those companies were mostly operating in non-participating provinces.

Harmonized Sales Tax (HST)

HST revenues decreased by $82.7 million or 8.0%. The decrease in HST is due to the decline in net revenues from a major sector within the participating provinces. HST revenues were not subject to a rate cut.

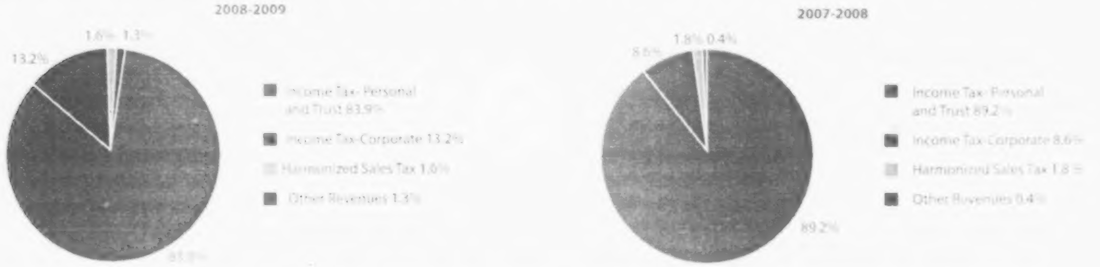
Other revenues

Other revenue increased by $532 million or 225.6%, and is related to the provincial share of the Tobacco civil settlements.

Revenues Administered On Behalf of the Canada Pension Plan

Canada Pension Plan revenues rose by $1.1 billion or 3.1%. This increase is due to a higher maximum pensionable earnings threshold, partially offset by a decline in employment income in the first quarter of 2009.

Figure 22 Revenues Administered on behalf of the Provincial and Territorial Governments and First Nations



As shown in Figure 22, Personal and Trust Income Tax represented the largest component of revenues administered on behalf of the Provincial, Territorial governments, and First Nations. This is followed by Corporate Income Tax and Harmonized Sales Tax. The proportion of Personal Income Tax decreased slightly from the previous year, due to the implementation of the harmonized corporate tax administration for Ontario in 2009.

Expenses and Recoveries Administered on Behalf of the Government of Canada, Provincial, and Territorial Governments

Administered Expenses and Recoveries ($000)	**2008-2009**	**2007-2008**	**+/-**	**%**
Federal Administered Expenses				
Child tax benefits	9,367,790	9,419,853	(52,063)	-0.6%
Universal child care benefits	2,532,532	2,474,298	58,234	2.4%
Children's special allowances	211,848	208,163	3,685	1.8%
Relief for heating expenses	871	1,161	(290)	-25.0%
Energy cost benefits	489	992	(503)	-50.7%
Transfers to provinces for Softwood Lumber	180,495	397,073	(216,578)	-54.5%
Provision for doubtful accounts	3,149,498	3,895,042	(745,544)	-19.1%
	15,443,523	16,396,582	(953,059)	-5.8%
Federal Administered Recoveries				
Old Age Security benefits	(949,595)	(963,098)	13,503	-1.4%
Employment Insurance Benefits	(179,009)	(154,427)	(24,582)	15.9%
	(1,128,604)	(1,117,525)	(11,079)	1.0%
Net Expenses and Recoveries Administered for the Federal Government	14,314,919	15,279,057	(964,138)	-6.3%
Provincial and Territorial Administered Expenses				
Family benefit programs	474,000	329,382	144,618	43.9%
British Columbia low income climate action tax credit	107,696	–	107,696	N/A
Ontario senior homeowners' property tax grant	72,542	–	72,542	N/A
Sales tax credits	98,083	52,828	45,255	85.7%
British Columbia climate action dividend	12,064	391,341	(379,277)	-96.9%
Ontario home electricity payments	(146)	2,247	(2,393)	-106.5%
Alberta resource rebate	(19)	2,032	(2,051)	-100.9%
Net Expenses Administered for Provinces and Territories	764,220	777,830	(13,610)	1.7%
Provision for doubtful accounts Administered for the Canada Pension Plan	39,107	92,224	(53,117)	-57.6%
Total Net Administered Expenses and Recoveries	15,118,246	16,149,111	(1,030,865)	-6.4%

Net Federal Expenses and Recoveries were $14.3 billion in 2008/2009, $964.1 million lower than in 2007/2008. Net Provincial and Territorial Expenses were $764.2 million, $13.6 million lower than in 2007/2008

Federal Administered Expenses

Federal Administered Expenses fell by $953.1 million or 5.8%. This was largely as a result of a lower provision for doubtful accounts and lower transfers to provinces for Softwood Lumber. The decrease in the provision for doubtful accounts is attributable to the introduction of an aging based methodology in 2007/2008, resulting in higher provisions for that year. The decrease in transfers to provinces for Softwood Lumber is due to the large decline in revenues from the Softwood Lumber products export charge.

Federal Administered Recoveries

Federal Administered Recoveries rose by $11.1 million or 1.0%. This largely resulted from higher Employment Insurance recoveries, due to the increase in the number of recipients of employment insurance benefits, partially offset by a higher income threshold that would trigger a recovery.

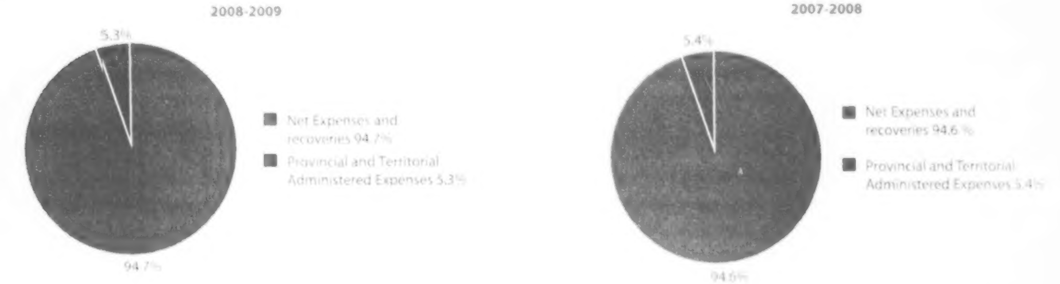
Net Expenses Administered for Provinces and Territories

Net Expenses Administered for Provinces and Territories decreased by $13.6 million or 1.7%. This decline was due to the British Columbia climate action dividend, which was paid in 2007/2008. However, this decrease was partially offset by the implementation of the British Columbia low income climate action tax credit and the Ontario senior homeowners' property tax grant, as well as increased benefits under the Ontario child benefit program.

Provision for doubtful accounts administered for the Canada Pension Plan

The provision for doubtful accounts administered for the Canada Pension Plan decreased by $53.1 million or 57.6%. This decline was due to the refinement of the estimation methodology for the allowance for doubtful accounts.

Figure 23 Expenses and Recoveries Administered on Behalf of the Government of Canada, Provincial, and Territorial Governments



As shown in Figure 23, Net Expenses and recoveries administered for the Federal Government made up most of the Expenses and Recoveries administered on behalf of the Government of Canada, Provincial, and Territorial Governments. The proportion of Federal Administered Expenses and recoveries has remained stable.

Enterprise Risk Management

The purpose of the Enterprise Risk Management (ERM) Program is to ensure that the Agency develops and implements a systematic, comprehensive approach to managing risks as a management function that is fully integrated into the Agency's decision-making, planning and reporting processes and mechanisms.

In support of corporate risk management, the two key ERM products are the *Corporate Risk Inventory (CRI)* and the *CRA Risk Action Plan*. The CRI presents a strategic, high-level snapshot at a point-in-time of the Agency's risk status. The Agency's response to each risk in the CRI is captured in a companion document, the *CRA Risk Action Plan*.

In addition to efforts to align corporate risk information with the Agency's planning and resource allocation cycles, the Agency is making strides to embed risk information and commitments in other key products and processes including the Corporate Business Plan, the Corporate Audit and Evaluation Plan, and the Executive Cadre's Accountability Regime.

Programs to Mitigate the Risk of Non-Compliance

Canada's tax system is based on self-assessment and voluntary compliance. It follows, then, that the principal business risk facing the Agency is that taxpayers will fail to voluntarily comply with Canada's tax laws.

Non-compliance is the failure, for whatever reason, to meet any of the following requirements:

- Registering when required (businesses)
- Filing returns on time
- Reporting complete and accurate information to determine tax liability, and
- Paying amounts owing when due.

Through its programs the CRA strives to maintain a presence across Canadian industries and taxpayer types in order to combat non-compliance through prevention, detection and deterrence. The CRA provides a range of information products and services to assist taxpayers and benefit recipients in complying with their obligations and in receiving their rightful share of entitlements. The CRA also administers a collection of programs aimed at making it more difficult to be non-compliant. However, achieving perfect compliance is not possible regardless of the amount of resources devoted to education and enforcement.

The CRA's priority initiatives to promote compliance and address non-compliance, including planned spending and expected results are identified annually in the Corporate Business Plan (CBP). The results achieved are reported in the CRA's Annual Report.

Unaudited Supplementary Financial Information

Financial Performance Information – Parliamentary Appropriations

Introduction

This section of the *CRA Annual Report to Parliament 2008-2009* provides the details of the Agency's resource management performance for the purpose of reporting to Parliament on the use of appropriations in 2008-2009. This complements the information provided in the spending profile sections under each Program Activity and satisfies the reporting requirements set for departmental performance reports.

Financial reporting methodologies

The CRA's funding is provided by Parliament through annual appropriations (modified cash accounting basis) and the CRA reports its expenditures and performance to Parliament, together with details on the management of Parliamentary appropriations on the same basis. In addition to the above reporting requirements, the CRA is also required to prepare its annual financial statements in accordance with the accounting principles applied in preparing the financial statements of the Government of Canada (full accrual accounting basis). Accordingly, the audited Statement of Operations - Agency Activities on page 123 includes certain items such as services received without charge from other government departments and federal agencies. A reconciliation can be found in Table 3 on page 179.

CRA financial information

Activities of the Agency

Canada Revenue Agency	**2008-2009** (in thousands of dollars)
Main Estimates	$3,737,361
Planned Spending	$3,875,204
Total Authorities	$4,370,662
Actual Spending	$4,198,656

The Financial Statements - Agency Activities reports $3,804.9 million as total Parliamentary appropriations used (Note 3 b on page 134 shows the reconciliation to the net cost of operations). The difference from the $4,198.7 million reported in this section is explained by four items reported in the Financial Statements - Administered Activities: the payments to provinces under the *Softwood Lumber Products Export Charge Act, 2006*, $180.5 million; the Children's Special Allowance, $211.8 million; the payments under the *Energy Costs Assistance Measures Act*, $0.5 million, and the Relief For Heating Expenses, $0.9 million (part of Vote 1, Program Expenditures).

Overview

For 2008-2009, Parliament approved $3,737.4 million through the Main Estimates, as shown in CRA's 2008-2009 to 2010-2011 Corporate Business Plan.

The 2008-2009 Main Estimates were adjusted to include:

- $180.5 million for the Statutory Payments related to the *2006 Canada/US Softwood Lumber Agreement*;
- $134.9 million for the carryforward from 2007-2008;
- $84.0 million for maternity and severance payments;
- $74.5 million for the administration of corporate tax for the Province of Ontario;
- $58.3 million for increased Respendable Revenue mainly for information technology services provided to Canada Border Services Agency (CBSA);
- $46.0 million for Collective Agreements;
- $33.1 million for measures arising from the 2007 and 2008 Federal Budgets;
- $22.0 million transferred from Public Works and Government Services Canada (PWGSC) for accommodation services;

- $19.9 million for measures arising from the 2007 Economic Statement;
- $7.1 million for the Foreign Convention and Tour Incentive Program;
- $6.0 million for the Government advertising programs;
- $2.7 million for Court Awards and Crown Assets Disposal;
- $1.2 million transferred from Public Health Agency for the advertising campaign on the Children's Fitness Tax Credit;
- $0.5 million for the payments under the *Energy Costs Assistance Measures Act*;
- $1.1 million for Crown Agents - Office of the Director of Public Prosecutions; and
- $0.2 million for other minor adjustments.

These increases were offset by the following reductions:

- $17 million for the employee benefit plans costs;
- $14.2 million for private collection agencies;
- $7.1 million for statutory Children's Special Allowance payments; and
- $0.4 million transferred to the Treasury Board Secretariat for the continuing implementation of the *Public Service Modernization Act* and to the Public Service Human Resources Management Agency to support the National Managers' Community.

This resulted in total approved authorities of $4,370.7 million for 2008-2009, representing an in-year increase of 16.9% over the Main Estimates.

Of the $4,370.7 million total authority, CRA's actual spending totalled $4,198.7 million resulting in $172.0 million remaining unexpended at year-end. After deducting unused resources related to the proposed Offshore Trusts initiative and Public Opinion Research savings, the remaining $147.1 million is available for use by the Agency in 2009-2010. This amount represents 3.4% of the total authority.

The $147.1 million carry forward to 2009-2010 will be directed primarily to selected strategic investments related to:

- Major project and infrastructure spending (Compliance Systems Redesign, Tax Free Savings Account, Major Tenant Services and Information Technology Infrastructure);
- Special purpose funding (Softwood Lumber, Charities Partnership and Outreach Program, Corporate Tax Administration for Ontario, Ministère du Revenu du Québec for the Administration of the GST); and
- Other operational and workload pressures.

Revenues administered by the Agency

Total revenues administered by the CRA totalled some $287.5 billion, a decrease of 1.8% from the $292.9 billion administered in 2007-2008.

	2007-2008	2008-2009
	(in thousands of dollars)	
Federal Government	201,057,378	190,756,240
Provincial, Territorial Governments and First Nations	56,358,732	60,192,842
Canada Pension Plan	35,437,908	36,545,498
Total	**292,854,018**	**287,494,580**

Financial Performance Tables

Introduction

The following tables provide financial information about the performance of the Agency during the 2008-2009 fiscal year. The tables compare Main Estimates and Planned Spending, as shown in the 2008-2009 Report on Plans and Priorities, with total authorities at year-end and actual expenditures for the fiscal year.

The information is presented at the Agency level, the Program Activity level, as well as by authority and type of revenue and expense.

Financial Tables Index — Page
Table 1 Comparison of Planned to Actual Spending 176
Table 2 Voted and Statutory Items 177
    2.1 Authorities approved after tabled Main Estimates 178
Table 3 Reconciliation to the Statement of Operations 179

The following tables can be found on the TBS web site at:
http://publiservice.tbs-sct.gc.ca/dpr-rmr/2008-2009/index-eng.asp.

Table 4 Sources of Respendable and Non-Respendable Non-Tax Revenue
    4.1 Respendable Non-Tax Revenue
    4.2 Non-Respendable Non-Tax Revenue
Table 5 User Fees/External Fees
    5.1 a *User Fees Act (UFA)* – Advance Income Tax Ruling Fee
    5.1 b Policy on Service Standards for External Fees – Advance Income Tax Ruling Fee
    5.2 a *User Fees Act (UFA)* – Taxation Statistical Analyses and Data Processing Fee
    5.2 b Policy on Service Standards for External Fees – Taxation Statistical Analyses and Data Processing Fee
    5.3 a *User Fees Act (UFA)* – Access to Information Processing Fee
    5.3 b Policy on Service Standards for External Fees – Access to Information Processing Fee
Table 6 Details on Project Spending
Table 7 Details on Transfer Payment Programs (TPPs)
    7.1 Children's Special Allowance Payments (CSA) (Statutory)
    7.2 Payments to Provinces under the *Softwood Lumber Products Export Charge Act, 2006* (Statutory)

Table 1 Comparison of Planned to Actual Spending

		2008-2009			
(in thousands of dollars)	2007-2008 Actual	Main Estimates[1]	Planned Spending[1]	Total Authorities[2]	Actual[2]
Strategic Outcome: Taxpayers meet their obligations and Canada's revenue base is protected					
Taxpayer and Business Assistance[3]	985,885	350,466	365,745	622,654	**604,987**
Assessment of Returns and Payment Processing[4]	871,315	839,090	864,698	940,057	**884,967**
Accounts Receivable and Returns Compliance[5]	695,321	643,111	662,994	742,946	**724,003**
Reporting Compliance	1,333,748	1,363,569	1,432,006	1,483,442	**1,412,781**
Appeals	156,127	161,288	165,346	172,504	**169,262**
Strategic Outcome: Eligible families and individuals receive timely and correct benefit payments					
Benefit Programs[6]	380,563	379,837	384,414	409,059	**402,656**
Total	**4,422,959**	**3,737,361**	**3,875,204**	**4,370,662**	**4,198,656**
Less:					
Non-Tax Revenues					
Respendable Revenue –Pursuant to Section 60 of the *CRA Act*	171,763	161,263	161,263	219,585	**219,585**
Non-respendable Revenue	44,014	N/A	50,731	N/A	**51,074**
Plus:					
Cost of services received without charge	211,053	N/A	244,069	N/A	**250,314**
Net Cost of Agency	**4,418,235**	**N/A**	**3,907,279**	**N/A**	**4,178,311**

Note: Numbers may not add due to rounding

[1] Internal Services (Program Activity 7) has been attributed to the 6 Program Activities under the two strategic outcomes as follows: Taxpayer and Business Assistance, 9.75%; Assessment of Returns and Payment Processing, 23.83%; Accounts Receivable and Returns Compliance 20.74%; Reporting Compliance, 36.99%; Appeals, 3.69% and Benefit Programs, 5%.

[2] Internal Services (Program Activity 7) has been attributed to the 6 Program Activities under the two strategic outcomes as follows: Taxpayer and Business Assistance, 11.47%; Assessment of Returns and Payment Processing, 22.60%; Accounts Receivable and Returns Compliance 21.35%; Reporting Compliance, 35.38%; Appeals, 3.46% and Benefit Programs, 5.74%.

[3] Starting in 2007-2008, included in this Program Activity are the Softwood Lumber Statutory Payments ($603.6 million in 2007-2008 and $180.5 million in 2008-2009).

[4] Includes payments to the Ministère du Revenu du Québec in respect of the joint administration costs of Federal and Provincial sales taxes ($140.7 million in 2007-2008 and $131.7 million in 2008-2009).

[5] Includes payments to private collection agencies ($12.4 million in 2007-2008 and $9.1 million in 2008-2009).

[6] Includes a) Relief for Heating Expenses (program announced in 2000) ($1.1 million in 2007-2008 and $0.9 million in 2008-2009); b) Energy Costs Assistance Measures expenses (program announced in the fall of 2005) ($1.0 million in 2007-2008 and $0.5 million in 2008-2009); and c) Statutory Children's Special Allowance payments ($208.2 million in 2007-2008 and $211.8 million in 2008-2009).

Table 2 Voted and Statutory Items

	(in thousands of dollars)	**2006-2007**	**2007-2008**	**2008-2009**	
	Truncated Vote or Statutory Wording	**Actual**	**Actual**	**Main Estimates**	**Actual**
1	Program expenditures and recoverable expenditures on behalf of the Canada Pension Plan and the *Employment Insurance Act*	2,669,770	3,023,433	2,933,062	**3,154,525**
(S)	Minister of National Revenue – Salary and motor car allowance	73	71	76	**76**
(S)	Spending of revenues received through the conduct of its operations pursuant to Section 60 of the *Canada Revenue Agency Act*	134,446	171,763	161,263	**219,585**
(S)	Contributions to employee benefit plans (EBP)	385,489	402,012	400,644	**419,900**
(S)	Children's Special Allowance payments	197,768	208,163	219,000	**211,848**
(S)	Payments to private collection agencies pursuant to section 17.1 of the *Financial Administration Act*	12,377	12,431	23,316	**9,067**
(S)	Payments under the *Energy Costs Assistance Measures Act*	4,073	992		**489**
(S)	Payments to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*		603,602		**180,495**
(S)	Spending of proceeds from the disposal of Surplus Crown Assets	210	126		**785**
(S)	Court Awards	918	366		**1,886**
	Total Agency	**3,405,124**	**4,422,959**	**3,737,361**	**4,198,656**

Table 2.1 Authorities approved after tabled Main Estimates

The following table details the authorities approved for the Agency after the Main Estimates and reconciles with the Total Authorities shown in table 1 on page 176 .

	(in thousands of dollars)
2008-2009 Main Estimates	**3,737,361**
Administration of corporate tax for the Province of Ontario	74,456
Transfer from Public Works and Government Services Canada for increased accommodation and real property services charges	22,021
Collective Agreements - Public Service Alliance of Canada (PSAC)	41,366
Planned Spending (RPP)	**3,875,204**
Payments to provinces under the *Softwood Lumber Products Export Charge Act, 2006*	180,495
Carry Forward from 2007-2008	134,871
Severance Pay, Parental Benefits and Vacation Credits	82,068
Respendable Revenue adjustment primarily for information technology services provided to CBSA	58,322
Initiatives such as the Functional Currency Tax Reporting and Tax Free Savings Account arising from 2007 and 2008 Federal Budgets	33,146
2007 Economic Statement	19,886
Government advertising programs	6,000
Foreign Convention and Tour Incentive Program (2007 and 2008)	7,102
Economic Increase for the EC group (salaries)	3,263
Severance Pay, Parental Benefits and Vacation Credits (2007)	1,945
Court Awards	1,886
Economic Increase for the HR group (salaries)	1,412
Transfer from Public Health Agency for the advertising campaign on the Children's Fitness Tax Credit	1,225
Payments under the *Energy Costs Assistance Measures Act*	489
Fee Increase for Crown Agents - Office of the Director of Public Prosecutions	1,109
Crown Assets Disposals	785
Adjustments to Revenues Credited to Vote 1	1,233
Wage Earner Protection Program	364
Transfer from Human Resources and Skills Development for registered plans information exchange	210
Year-end adjustment to employee benefit plans contributions	(18,231)
Reduced payments to private collection agencies	(14,249)
Year-end adjustments - Children's Special Allowance Payments	(7,151)
Adjustment to costs recovered from the Canada Pension Plan / Employment Insurance Accounts	(277)
Transfer to TBS for the continuing implementation of the *Public Service Modernization Act*	(245)
Transfer to Public Service Human Resources Management Agency to support National Managers' Community	(200)
Total Authorities at year-end	**4,370,662**

Table 3 Reconciliation to the Statement of Operations

(in thousands of dollars)	2008-2009 Total Agency
Total Actual Spending[1]	4,198,656
Financial Statements Adjustments	
Agency Activities	
Services provided without charge (See Financial Statements – Note 11)	250,314
Non-Tax Revenue – Respendable (See Financial Statements – Note 10)	(215,554)
Non-Tax Revenue – Non-Respendable (See Financial Statements – Note 10)	(51,074)
Other adjustments to accrual from modified cash	107,500
Administered Activities	
Transfers to Provinces under the *Softwood Lumber Products Export Charge Act, 2006*	(180,495)
Children's Special Allowance (CSA)	(211,848)
Energy Costs Assistance Measures	(489)
Relief for Heating Expenses	(871)
Total Net Cost of Operations (from Statement of Operations – Agency Activities)[2]	**3,896,139**

[1] Actual spending, on a modified cash basis, is net of revenues credited to the Vote 1.

[2] Net cost of Operations (Expenses less Non-Tax Revenue) on page 127 from the Statement of Operations – Agency Activities is presented on the accrual basis of accounting.

If you need more information, email us at: annual.report@cra-arc.gc.ca or write to:

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